

FINANCIAL TIMES

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Standard Chartered:
rescued, but at
a price, Page 12

World news

Business summary

Shin Bet ultimatum for Israeli Cabinet

Israeli Attorney General Yosef Harish told the Cabinet it did not accept his proposal for a state commission of inquiry into the killing of two captured Arab bus hijackers, allegedly by the Shin Bet internal security service, he would order a police investigation.

The Cabinet will meet today to discuss the case, a day before it has to answer a Supreme Court order to show cause why there should not be an inquiry.

Right-wing Foreign Minister Yitzhak Shamir, Prime Minister in 1984 when the incident happened and directly in charge of Shin Bet, has accused critics of using the case to block his path to the premiership under a power-sharing accord with Prime Minister Shimon Peres.

Silicon Valley recovery falters

SILICON Valley semiconductor stocks slid to record lows following disappointing quarterly results from two of the largest West Coast chip makers and another dip in the industry's leading indicator. Page 15

LOTUS Development founder resigns as chairman of the US personal computer software house. Page 24

EUROPEAN Monetary System: The Italian lira was stronger last week and was placed above a slightly weaker dollar at the top of the EMS. The D-Mark and Dutch guilder were also stronger, with Friday's cut in the US discount rate.

Libyan exercises

Libya said it had begun military exercises over the disputed Gulf of Sirte as US air activity in the region was reported in Washington.

Iraq hits ships

Iraq said its warplanes hit three ships in 24 hours in the Gulf. One of them was believed to be the 123,000-ton Cyprus tanker Achilles, hit by a missile south of Iran's Kharg Island oil terminal.

Kuwait's priorities

The Emir of Kuwait, Sheikh Jaber al-Ahmed al-Sabah, swore in a new government and listed the economy and security as its main priorities. Page 2

Journalist expelled

Renters correspondent Hugh Pope was expelled by the Iranian Government for allegedly revealing military secrets in his reports.

Meeting dispersed

About 500 supporters of ex-President Marcos of the Philippines were dispersed by police after assembling in a park in defiance of a meetings ban.

Bonn aid talks

Aid is expected to play a central role in talks in Bonn between the West German Government and Prime Minister Mohammad Khan Junejo of Pakistan, who is on a three-day official visit.

Afghan battle

The official Soviet news agency Tass reported a "successful operation" by Moscow-backed government forces against rebels in Afghanistan's western Herat province. Page 2

Lipinski dies

Veteran Polish socialist and dissident Edward Lipinski died in Warsaw aged 97.

Death toll rises

The death toll in the Moslem-Hindu riots in the western Gujarat city of Ahmedabad rose to at least 49 with the burning alive of two Moslems at a hospital. Page 3

Whale demo shots

Police exchanged shotgun fire and tear-gas bombs with anti-whaling protesters while trying to board their ship off the Faroe Islands.

Chefs honoured

Two top chefs, Paul Bocuse and Guy Leonier, and composer Olivier Messiaen are among those honoured in Legion of Honour rankings announced by French President Francois Mitterrand.

Mansell goes top

Nigel Mansell (Britain) driving a Williams won the British Grand Prix and went to the top of the world championship table for the first time in his career. Nelson Piquet (Brazil) was second in a Williams and Alain Prost (France) third in a McLaren.

BUDD BANNED FROM GAMES BUT TANZANIA JOINS BOYCOTT

New warnings to Thatcher of danger to Commonwealth

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

TANZANIA yesterday became the fifth African country to withdraw from the Commonwealth Games, which start in Edinburgh next week, in protest at the British Government's attitude towards South Africa.

This extension of the African boycott, after similar announcements by Nigeria, Uganda, Kenya and Ghana, further intensifies the public pressure on Mrs Margaret Thatcher, the UK Prime Minister, over sanctions against South Africa, especially given the widespread warnings over the weekend of the dangers of the break-up of the Commonwealth.

Mr Bill Hayden, the Australian Foreign Minister, said: "There is a fear that the Commonwealth could unravel if Britain fails to respond in some positive way to the expectations of black Africa."

Mr Edward Heath, the former UK Conservative Prime Minister, said yesterday that the Commonwealth faced greater strains than during the Rhodesia crisis and there was now a clear danger that some countries would withdraw. He said Western countries had to make it clear that they were not prepared to support South Africa as a bastion against communism.

Mr Kenneth Kaunda, the Zambian president, who last week publicly criticised Mrs Thatcher in front of Sir Geoffrey Howe, the UK Foreign Secretary, said he found it "more and more difficult to see myself sitting side by side with a lady who holds the view that - Mrs Thatcher holds on South Africa."

He described Sir Geoffrey's mission to southern Africa as a "time-wasting affair".

Sir Geoffrey, who returned to London from the first leg of his mission as president of the EEC Council early on Saturday, will discuss the latest position with Mrs Thatcher this morning after her return from a short visit to Canada.

In an explicit attempt last night to prevent the boycott of the Edinburgh games spreading, the Commonwealth Games Federation decided after a six-hour meeting that Miss Zola Budd, the South African-born 5,000 metre record holder, failed to meet the required residential qualifications. Miss Budd ran for Britain in the 1984 Los Angeles Olympics. The federation also banned South African-born swimmer Miss Annette Cowley. Both have British passports.

Mr Peter Heatley, a federation spokesman, said that now the decision had been made "we see no obstacle which should prevent countries attending." However, a Nigerian spokesman said the ban made no difference to its withdrawal.

Confirming the bank's involvement, a senior Barclays official said that the illegal action was aimed at encouraging the Government to scrap the Group Areas Act, the law which enforces residential segregation. Growing disregard for the Act in some cities, especially Johannesburg and Cape Town, has fuelled speculation that the authorities are paving the way for its abolition.

The Barclays official who has bought the house in the middle-class suburb of Wendywood is Mr Gaby Magomoia, personal assistant to the bank's managing director, Mr Chris Ball. Mr Magomoia spent eight years in the US before returning with his family to South Africa.

The bank spokesman said that "it would be difficult for him to set up home in a black township." Mr Magomoia's children attend a private multiracial school in Johannesburg's northern suburbs.

Barclays' action is one of several recent cases in which foreign-controlled companies have encouraged contravention of discriminatory laws. General Motors' local subsidiary offered legal assistance earlier this year to any black worker prosecuted for swimming at whites-only beaches in the Eastern Cape city of Port Elizabeth.

Some other companies are understood to have helped senior black employees to move into white suburbs either by renting them company-owned houses or, as in Barclays' case, by providing loans for individual purchases.

An acute shortage of housing in residential areas reserved for whites has encouraged growing numbers of blacks, Indians and coloureds to move into white suburbs, especially lower income districts close to city centres. According to one estimate, about 30,000 people now live illegally in so-called "disqualified" areas of Johannesburg.

The chairman of the city's central business district (CBD) association said recently that residential parts of the CBD and nearby suburbs were already multiracial in all but name.

The president's council, a government-appointed advisory body, is due to issue a report next month on the desirability of maintaining the Group Areas Act. President P. W. Botha said last April that the law was "no holy cow".

SA bank buys black employee house in white area

By Bernard Simon in Johannesburg

BARCLAYS National Bank, South Africa's leading banking group in which Barclays Bank of Britain has a 49 per cent interest, has bought a basic tenet of apartheid by helping a black employee buy a house in a Johannesburg suburb reserved for whites.

Confirming the bank's involvement, a senior Barclays official said that the illegal action was aimed at encouraging the Government to scrap the Group Areas Act, the law which enforces residential segregation. Growing disregard for the Act in some cities, especially Johannesburg and Cape Town, has fuelled speculation that the authorities are paving the way for its abolition.

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Baker attacks Germany over interest rates

BY STEWART FLEMING IN WASHINGTON

MR JAMES BAKER, US Treasury Secretary, yesterday conceded that the White House would have to revise downwards its economic forecasts for 1986 and said America would need help to revive its economy from major industrial country trading partners.

Mr Baker also singled out the West German government for criticism for failing to do more to provide additional impetus to world growth.

Mr Baker was interviewed on US television with Congress about to reconvene today after the independence day recess. It faces an agenda which includes the need to put the final touches to ambitious tax reform legislation and to resolve the bitter debate about the shape of the 1987 federal budget.

Mr Baker went on to say that so far as tackling the huge US trade deficit "we have done a lot of what we can do on the exchange rate side. We've got to do some other things," including tackling the budget deficit.

He then described as "regrettable" the fact that West Germany and Japan appear not to be ready to follow the discount rate reduction made by the Federal Reserve Board on Friday with cuts of their own.

Mr Baker said he was not a "sanguine" about the budget outlook as the two Congresses, Senator Phil Gramm of Texas and Representative Richard Gephardt of Missouri, who were appearing on the programme with him, about the prospects that Congress will "deal with the deficit." He added: "We have to do it. It's like a cancer - if we don't get it, it's going to get us."

Standard Chartered wins but faces re-organisation

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

STANDARD Chartered, the British-based international bank, remains independent today after fighting off the hostile bid of the UK's largest bank, Citicorp, which was backed by Citicorp Bank of the UK. But its future course will be shaped by large new shareholders from the Far East who came to its last-minute rescue.

Lloyds Bank conceded defeat on Saturday afternoon after receiving 44.4 per cent of the vote, just over 5 per cent short of the majority needed to win the UK's first major hostile bank takeover bid.

Mr Brian Pitman, Lloyds chief executive, said: "Naturally we are disappointed. We would have succeeded if our offer had not been frustrated by heavy buying at the last minute from overseas. We wish Standard Chartered well for the future."

Mr Michael McWilliam, Standard's chief executive, said he was pleased his bank had protected its independence. The task now, he said, was to ensure that shareholders obtained greater value for their investment.

The three-month bid which would have created the UK's largest banking group, appeared doomed by Friday after investors friendly to Standard Chartered amassed about 40 per cent of the shares. The largest of these, Sir Yue-Kong Pao, the Hong Kong shipping magnate, bought just under 15 per cent at a personal cost of over £100m in only two days.

Other major buyers included Mr Robert Holmes a Court, the Australian businessman and large customer of the Standard Bank, with 7.4 per cent, Tan Sri Khoo Teck Puat of Malaysia with 5 per cent, Mr "Tiny" Rowland of Loughborough with 2 per cent and Dr Henry Jarrold, the director of Macclesfield, Standard's metal trading subsidiary, with a similar amount.

Lloyds Bank was also unable to increase its own buying of Standard shares beyond 4.9 per cent because of legal constraints in the US where Standard has a large subsidiary, and this prevented it acquiring large parcels of shares as they appeared on the market.

Lloyds had been offering a package of cash and securities worth about \$75 per Standard share. But Standard's shares closed on Friday night at 77.5, a pound below the offered price. Market analysts say the price is likely to fall further today because of the bid's failure.

Standard's rescuers never stated their reasons for coming to its aid. However, it is likely that they will press for a major reorganisation of the bank, including the separate flotation of several parts of the business on foreign markets in order to realise asset values. Mr McWilliam has said he supports such a plan.

Mr Pitman said Lloyds was confident it could develop a new strategy after the failure of its bid, including further possible acquisitions.

Andreotti tries again to form government

BY ALAN FRIEDMAN IN MILAN

MR Giulio Andreotti, the veteran Christian Democrat, who has been asked by Italy's President Francesco Cossiga to form a new Government, today begins a fresh round of negotiations to try to bring an end to the 17 day-old Rome government crisis.

Mr Andreotti faces an uphill struggle. The Socialist Party of outgoing Prime Minister Bettino Craxi announced on Friday that it would refuse to join a Government led by Mr Andreotti or by any Christian Democrat. Without the participation of the Socialists, a five-party ruling coalition cannot be formed.

At the weekend, several Socialists suggested that Mr Andreotti renounce his mandate as Prime Minister-designate, rather than go ahead with "useless" consultations.

The Socialists want Mr Craxi, who resigned on June 21 after a parliamentary defeat, reinstated as Prime Minister.

In an indication of the increasing bitterness of the Italian government crisis, Mr Salvo Ando, a leading Socialist deputy, has attacked President Cossiga personally, accusing the Italian President of "having demonstrated his solidarity with the Christian Democrats" by naming Mr Andreotti to form a new Government. Mr Cossiga, as President of the Republic, is meant to be above party politics. He was, however, during his entire previous career, a Christian Democrat politician.

Mr Andreotti, meanwhile, is preparing a series of policy proposals designed to force the Socialists to join a "government of programme."

At the weekend he met Mr Carlo Ciampi, governor of the Bank of Italy, to discuss the economy.

The Andreotti mission was yesterday being given an ever-shimmering margin for success. If it fails, it will become increasingly likely that Italy will face early elections, well ahead of the end of the present Parliament in 1988.

Shevardnadze likely to stress Europe's detente role on UK trip

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

MR EDUARD SHEVARDNAZDE, the Soviet Foreign Minister, who arrived in Britain last night for a two-day official visit, is expected to reinforce the impression that Moscow wants Western Europe to play a bigger role in East-West detente.

Although Soviet officials, from Mr Mikhail Gorbachev, the Soviet leader, downwards, have gone out of their way to deny that they want to drive a wedge between the US and its European allies, that has not prevented Moscow from conducting a campaign which is clearly intended to woo the West Europeans.

Mr Shevardnadze's visit, the first by a Soviet Foreign Minister to Britain for 10 years, is intended to mark the formal ending of a long period of coolness in Anglo-Soviet relations, which reached a nadir with the tirade that erupted in October last year.

Mr Shevardnadze will have a first round of talks with Sir Geoffrey Howe, the UK Foreign Secretary, at Sir Geoffrey's country home in Chevening, Kent today, before calling on Mrs Margaret Thatcher, the Prime Minister, in Downing Street in the afternoon.

The two Foreign Ministers will have a second round of talks tomorrow at Lancaster House in London, after which they will sign a long-term economic and industrial programme which was initiated in February. A scientific co-operation agreement between the two countries is also due to be signed by Sir Geoffrey and Mr Shevardnadze.

Over the last few months, relations between the two countries have steadily improved, as the Soviet Union has tried - with little success it should be said - to draw Britain and France into the nuclear arms control negotiations.

The scene for the visit by Mr Shevardnadze, who has finally taken up an invitation originally extended to his predecessor, Mr Andrei Gromyko, now President of the Soviet Union, was set by a successful visit to Russia last month of a British parliamentary delegation led by Lord Whitelaw, Mrs Thatcher's deputy. This was followed early in July by a visit to London by General Nikolai Chervov, head of the Directorate of Soviet Chiefs of Staff dealing with arms control.

General Chervov, who was usually talkative for a Soviet official, in keeping with the new diplomacy initiated by Mr Gorbachev, gave a clear pointer to the issues which will dominate Mr Shevardnadze's talks with Sir Geoffrey and Mrs Thatcher. These are expected to be arms control, both in the nuclear and conventional fields, and preparations for a second summit between President Ronald Reagan of the US and Mr Gorbachev.

With Mrs Thatcher's close relationship with President Reagan very much in mind, Mr Shevardnadze is expected to stress to his hosts that Britain can play a role in the organisation of the next US-Soviet summit, though it will not be directly involved. Mr Shevardnadze will, no doubt, repeat Moscow's position that there is no point in holding the summit unless it leads to concrete agreements on arms control, in the hope that Britain will be able to exercise some influence on the US to this end.

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OVERSEAS NEWS

Hussein opts for publicity to boost Jordan's image

BY TONY WALKER IN AMMAN

KING HUSSEIN of Jordan sought at the weekend to shore up his country's somewhat frayed image after a series of setbacks, including a painful break with the leadership of the Palestine Liberation Organisation (PLO) and student riots that left three people dead.

Death toll mounts in strife-torn Indian state

By K. K. Sharma in New Delhi

AT LEAST 49 people have been killed in the past five days in the second wave of communal violence that has hit the western Indian State of Gujarat since Mr Rajiv Gandhi, the Prime Minister, took office in October, 1985.

Pretoria's policies tested as schools re-open

BY BERNARD SIMON IN JOHANNESBURG

TODAY'S scheduled reopening of schools in South Africa's black townships and planned industrial action by the largest black trade union group will provide a key test of the authorities' success in restoring calm since the declaration of the state of emergency almost a month ago.

respond to the stay-away call. The employers' hard line together with the fact that the action was decided on only last week and the detention of many trade union organisers may dampen workers' response.

The Government delayed pupils' return from the mid-year break by two weeks to enable it to put the new measures in place. These include identification cards for all pupils, security fences around school properties and security guards. Many organisers of earlier school boycotts are understood to be in detention.

Even without sanctions the UK is reducing its stake in the republic, write FT reporters

British business backs away from S Africa

BRITISH companies are reducing their stake in South Africa while continuing to support the government's view that economic sanctions in support of the anti-apartheid struggle would do more harm than good.



Mr Botha: his resistance to change frustrates some UK businessmen

Domestic pressure on companies in the UK to disinvest is far weaker than in the US, for example, where some 50 concerns are said to have pulled out recently. Nevertheless, many of the 172 major British companies with a total of \$10bn-£12bn of assets in the country are diluting their interests and a number are anxious to sell subsidiaries.

South African politics also played a role in Lloyds Bank's £1.5bn takeover bid for Standard Chartered for South Africa last year. But the group pointed out that most of the loans were put together to support UK exports to the republic.

INVESTMENT IN S AFRICA (by country)

Table with 2 columns: Country, Investment (£m). Includes UK, US, West Germany, France, Switzerland, Rest of world, Total.

of 50 British companies with South African interests. Meanwhile, negative evidence that companies are leaving the desks was provided by the Government-run Export Credits Guarantee Department, which said that there was "not much change" in the number of new investments in South Africa.

Moscow claims defeat of rebels in Afghan province

Soviet-backed government troops have routed rebel forces in Afghanistan's Herat province, killing dozens of insurgents including 13 leaders, the official Soviet news agency Tass said yesterday. Reuter reports from Moscow.

Assets seized

The Philippines Government has seized Pesos 184m (35.9m) in assets from a company linked to a close associate of deposed President Ferdinand Marcos, Commissioner Raul Daza of the Good Government Commission said.

Bermuda, US tax pact

Bermuda and the US have agreed a tax convention that will help increase the flow of American business to the British colony in return for its help in preventing US tax fraud and evasion, writes Roger Seaton in Bermuda. The convention, which has the approval of the British Government, was signed in Washington DC by Mr John Whitehead, acting secretary of state, and Bermuda's Premier John Swan.

Kuwaiti Emir swears in new government

THE EMIR of Kuwait yesterday swore in a new Government faced with a ravaged oil-rerated economy amid heightened concern over the Gulf state's security, Reuter reports from Kuwait. Sheikh Jaber al-Ahmed al-Sabah named a 22-man cabinet to serve in the wake of an Emir decree 10 days ago that suspended parliament and parts of the constitution.

Israeli cabinet agrees to action over bank governor

THE ISRAELI Cabinet yesterday bowed to intense pressure from the Bank of Israel and agreed to the suspension of Mr Raphael Recanat, one of the country's wealthiest men, as chairman of the Recanat family-owned Israel Discount Bank, the IDB.

Reagan backs Jayewardene's offer to Tamils

THE SRI LANKAN Government of President J.R. Jayewardene has received a message from President Ronald Reagan on the eve of a first round of talks he is holding with the Tamil leaders who returned to the island on 20 month exile last month.

Advertisement for Tokyo Hilton International featuring a woman playing a piano and the text 'IN A CITY WHERE IMPECCABLE SERVICE IS AN ART, ONE HOTEL CONTINUES THAT TRADITION.'

El Salvador rebels try again for coalition rule

EL SALVADOR'S left wing insurgency has launched a modified proposal for a coalition government ahead of peace talks due to start next month, with the US-backed Government of President Jose Napoleon Duarte.

Mexican poll candidate appeals for calm

MR FERNANDO BAEZA, the Mexican government's candidate for governor of Chihuahua, appealed to the people of the huge northern state on Saturday not to let "a fratricidal holy war" develop.

FINANCIAL TIMES advertisement with publication details and subscription information.

OVERSEAS NEWS

Reagan appeals to Congress for backing on SDI

BY STEWART FLEMING IN WASHINGTON

President Ronald Reagan has appealed for congressional support for his costly Strategic Defence Initiative (SDI). Finishing for the Star Wars anti-ballistic missile programme is expected to come under renewed attack when Congress reconvenes today after the July 4 holiday.

In his weekly radio broadcast, Mr Reagan said: "It would be tragic to permit the budget pressures of today to destroy this vital research programme."

Mr Reagan stuck firmly to his position, saying: "Our SDI research is not a bargaining chip." He argued: "It is the number of defensive nuclear missiles that needs to be reduced, not the effort to find a way to defend mankind against these missiles."

Mr Reagan's decision to make the issue of SDI the topic of his weekly radio address coincides with the return of a Congress which seems to be moving towards restraining the growth of the SDI budget.

The two congressional armed services committees, in their separate versions of the 1987 Defence Bill, proposed cutting back sharply the \$5.3bn request for SDI funding which President Reagan asked for at the beginning of the year. The House Committee approved \$2.7bn for SDI, the Senate \$3.9bn.

Some congressional critics of the Administration's arms control negotiating strategy maintain that the President's commitment to SDI is a barrier

to progress on arms control. The Administration, in contrast, has argued that to curb the SDI programme would weaken its negotiating position.

The Administration is in the middle of inter-agency talks on how to respond to the latest Soviet arms control proposals, which Mr Reagan last month welcomed as indicative of a more positive approach to the talks by the Soviet Union. It is also seeking to set a date for a second summit meeting between Mr Reagan and Mr Mikhail Gorbachev, the Soviet leader.

The White House confirmed over the weekend that Mr Reagan is expected to meet Mr Nixon on Friday to discuss the SDI programme. Mr Richard Nixon, the former president, who is now on what his aides describe as a "private" visit to Moscow, Mr Nixon is expected to meet Mr Reagan on Friday to discuss the SDI programme.

Negotiating full Chinese membership could take several years because the Gatt accord was designed for integrating free market economies and not centralised communist economies, Gatt officials said.

China is the latest of a number of countries seeking membership as the Gatt, which regulates 80 per cent of world trade, prepares for a new round of negotiations. Gatt trade ministers are due to hold a week-long session in Punta del Este starting on September 15 to launch the talks which could take five to 10 years to complete.

Hong Kong joined the organisation in April and, Mr Woods said, a Mexican application enters its final stage on Tuesday when a draft proposal on accession terms will be presented to the Gatt council.

Peking applies for Gatt membership

CHINA has applied for membership of the General Agreement on Tariffs and Trade (Gatt). Peking would take part in the last major trade negotiation of the century to begin later this year, Mr David Woods, Gatt spokesman, said yesterday.

It would be the only major communist country bound by the Gatt.

The formal application arrived at the Gatt secretariat in Geneva on Friday and would be presented to the 112-nation council meeting on Tuesday, Mr Woods said.

The Peking application means China would be able to send a ministerial team to Punta del Este in Uruguay, where Gatt trade ministers are to meet, and will participate to some degree in the new trade round.

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Carla Rapoport on an unusual delay in launching an audio product

Japanese press the pause button

THE JAPANESE electronics industry is, for the first time in anyone's memory, delaying the launch of a new product. Those who want compact disc sound quality on a recordable, erasable compact cassette will have to wait, possibly for as much as a year.

The product is digital audio tape (DAT), which was to be launched this autumn by leading Japanese companies. DAT, because of its top-notch sound quality, is expected to render

industry seems less trigger-happy than it used to be; it is beginning to consider seriously the consequences of its actions — on an international basis.

There are three main reasons for delaying the launch of DAT. First, industry executives are nervous that it will hit sales of compact discs, which are growing rapidly. If DAT were launched this autumn, it would be the first time a new product was put up against one which had not reached a stable maturity in the marketplace.

Second, the Japanese say they expect law suits from music copyright owners over the use of DAT to record compact discs. Sony, for example, had to go to the US Supreme Court for clearance to sell its video cassette recorders for taping television programmes in the home.

Third, industry executives say they are responding to pressure from Philips, the Dutch electronics group. Although Philips has denied it is pushing for a delay, Dr Masaru Yamano, executive vice president of Sanyo Electric, yesterday insisted that such a request had been made to the industry.

"They have a big impact on us. They are the main developers of the compact cassette," said Dr Yamano.

Philips, along with Sony, are also the main developers of the compact disc.

Of course, industry leaders admit that a unified stance against Philips would overcome any appeals from the Dutch group. But they admit the logic of Philips's argument.

Dr Yamano says the most likely launch time for DAT is when the sales of compact discs overtake those of conventional long-playing records. Sales, in unit terms, are expected to be level-pegging by the end of this year.

"If Japanese manufacturers get into DAT right away, they will hurt compact discs and compact cassettes will be killed," says Dr Yamano.

This remark has been echoed by others in the industry. It also underlines an awareness of the concerns of retailers and wholesalers who would find it difficult to sell DAT as well as compact discs.

"People would skip compact discs and go straight to DAT. That's no good for any of us," said an industry executive this week. Some, however, will benefit less than others from any delay. Sony, for example, says half its audio sales are now accounted for by compact disc players. For

JVC, the proportion is even larger. But Hitachi derives less than 5 per cent of its total sales from compact disc players.

It would need only one company to spoil the plans for delaying DAT. Indeed, Hitachi is less definite than other companies about holding back. It now says it will test market reaction to the product through surveys and industry fairs before proceeding with a launch this autumn.

Behind any sense of collective

It would need one company to spoil the plans for delaying DAT

consciousness, however, is the individual company's bottom line. Some electronics companies are quickly shifting audio production offshore, to Malaysia or Singapore, because of the effect export margins of the yen's appreciation.

Those same companies are committed to maintaining full employment at domestic plants — and what better way than by launching a new product like DAT. . . .

The next six months should be interesting ones.

SHIPPING REPORT

Slide in oil price brings confusion to market

By Andrew Fisher, Shipping Correspondent

WARNINGS ABOUT the fragility of the recent rise in tanker freight rates proved justified last week when the slide in oil prices brought confusion to the market and a weakening in rates.

Demand for crude fell as buyers waited to see where oil prices would settle. Rates in the Gulf declined sharply in the Gulf declined sharply. Inquiry in the Gulf for VLCCs (very large crude carriers) was poor. E. A. Gibson Shipbrokers of London reported a drop of between 10 and 15 points in rates.

Thus charterers were able to obtain a ULCC to go partially loaded with 270,000 tons to Brunei at Worldscale 34.2, rather than the Worldscale 44.5 at which a similar fixing was made a week before.

Owners of VLCCs between 200,000 and 300,000 deadweight tons, have to accept Worldscale 27.5 from the Gulf to the West against Worldscale 45, while the rate to the East has fallen from the latest peak of Worldscale 45 to Worldscale 32.5.

Gibson pointed out, however, that even at present tanker rate levels, the lower bunker prices for ships' fuel gave owners a better return than they received a few months ago.

In the dry cargo market, Denham Steeles, the London broker, said: "Rates have about stabilised at appallingly low levels." Many owners wonder how they can keep their ships employed until after the summer level.

MBB wins contract

BY PETER BRUCE IN BONN

THE West German aerospace group, Messerschmitt-Bölkow-Blohm (MBB) has been awarded the country's first Strategic Defence Initiative research contract by the US Defence Department.

MBB officials said at the weekend the SDI contract had been signed in Washington on Friday. Munich-based MBB has been asked to develop an infrared measuring system for use in space.

The value of the contract, initially worth DM 8.8m (£2.67m), could increase to DM 55m if MBB can produce a satisfactory prototype, according to officials in Washington. One unconfirmed report in Bonn implied that the company would quickly develop the device and that a detailed test schedule would be ready by October. MBB was probably the most likely candidate to receive West

Germany's first and most public SDI contract. Its smaller aerospace competitor, Dornier, has also shown a keen interest in the SDI research programme but has not yet won business.

For the most part, however, West German industry has shown little open enthusiasm for SDI or the initiative's research contracts. There has never been much hope here that becoming formally involved with SDI research, which Bonn did not begin until 1983, would lead to major orders from the US.

Many big corporations remain uncomfortable about the effect an association with the SDI programme could have on trade with Eastern Europe. Zies, one of the world's leading opticals companies, will have nothing to do with SDI because of this.

Other companies worry that lead to excessive corporate interference by bureaucrats.

The oil price collapse promoted Mexico to join the Gatt before the new round. The council is expected to approve the draft protocol which would entitle Mexico to become a full member within two months.

The eighth Gatt round will focus on consumer goods, already struck on trade in manufactured goods, commodities and primary materials. These agreements have been badly eroded by an array of measures to protect domestic markets.

Alcan to help build aluminium plant in China

ALCAN ALUMINIUM of Canada is to build a \$320m aluminium extrusion plant in the Shenzhen special economic zone in China, writes Robert Gibbons from Montreal.

The venture is 55 per cent owned by China National Manufacturing Metals Industry and 45 per cent by Alcan Nickel China. This in turn, is owned equally by Alcan Aluminium and its Japanese associate Nippon Light Metal. Alcan has been shipping ingot from Canada to China since the 1970s, sometimes at more than 50,000 tonnes a year. The joint venture was set up at the invitation of the Chinese and the plant will have a capacity of 5,000 tonnes a year.

Japan to raise price of mini-excavators in Europe

Prices of Japanese mini-excavators in Europe are going up by 10 per cent—the second price increase this year, writes Ian Hodger in Tokyo. The move reflects pressure from the Japanese Government on producers to avoid trade friction with European countries.

Mini-excavators were developed in Japan and have become increasingly popular in Europe. Sales by Japanese companies in

Europe rose 64 per cent last year to 5,200 units. Following an EEC anti-dumping action last year against Japanese makers of large excavators, the Ministry of International Trade and Industry (MITI) instructed manufacturers to set and adhere to minimum export prices. Last March, MITI extended this instruction to mini-excavator makers.

Canon in W. German deal to ease trade friction

CANON, the Japanese copier maker, has bought a 26 per cent stake in CPF Deutschland, a West German office equipment sales group, Ian Hodger writes from Tokyo. The move is partly designed to reduce friction over Japanese copier exports to Europe.

The main consequence of the deal is that CPF will distribute copiers made by Canon in France and West Germany and

will stop importing copiers from Japan.

CPF has a manufacturing affiliate, Petras, which was one of several European companies that last year filed an anti-dumping suit with the European Commission against Japanese copier makers.

Canon said it hoped the deal would boost its sales in West Germany, which last year totalled DM 160m.

World Economic Indicators

	RETAIL PRICES (1985=100)				% change over previous year
	May '86	April '86	March '86	May '85	
US	122.1	121.9	122.2	120.1	+1.5
UK	146.4	146.1	144.7	142.1	+2.8
W. Germany	124.9	124.9	124.8	121.5	+5.2
France	161.3	161.0	160.4	157.7	+2.3
Italy	201.5	202.7	203.1	189.4	+4.4
Belgium	142.8	142.4	141.9	140.5	+1.1
Netherlands	123.2	122.8	122.2	120.5	+2.8
Japan	115.3	115.0	114.6	114.5	+0.3

Source: Eurostat

CREDIOP
CONSORZIO DI CREDITO PER LE OPERE PUBBLICHE

SUMMARIZED BALANCE SHEET AS AT 31st DECEMBER 1985 (US dollars in millions)

ASSETS		LIABILITIES AND STOCKHOLDERS' EQUITY	
Liquid funds	394	Bonds and other financing	10,887
Securities	1,571	Other liabilities	1,884
Investments in companies and institutions	64	Provisions	761
Loans	11,282	Capital	12
Other assets	1,037	Reserves	404
		Net earnings for the year	130
			14,288

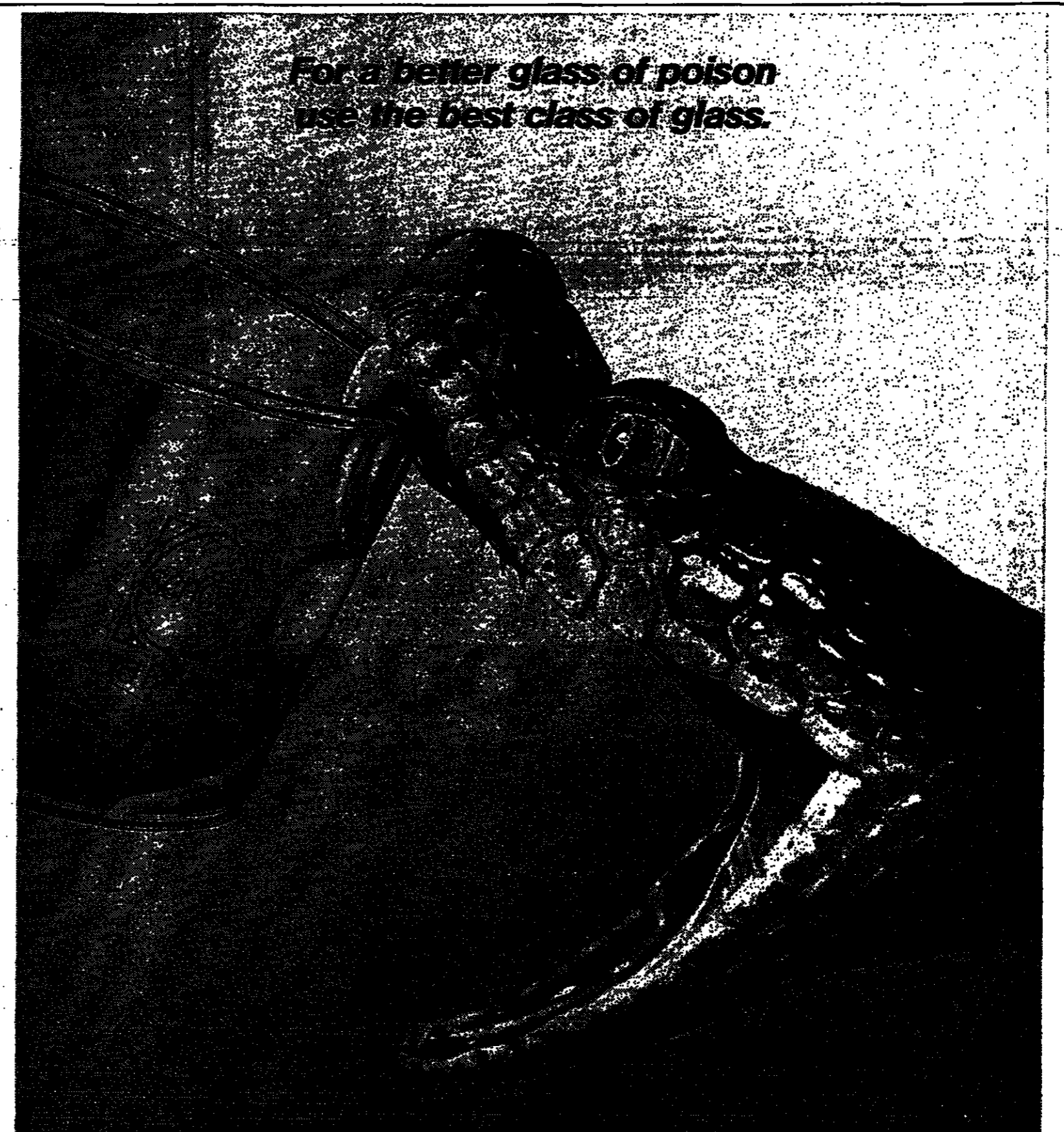
* Amounts expressed in US dollars converted at the rate of Italian Lira 1,376 = US \$ 1.00

- The accounts for the financial year 1985 closed with net earnings of US \$ 120 million, after charges for various provisions totaling US \$ 73 million.
- The Shareholders' Meeting approved the transfer of US \$ 117 million of the net earnings to reserves, which thus reach US \$ 611 million.
- Loans granted in 1985 amounted to US \$ 1,274 million, have an average term of 1 year and 6 months, and were distributed as follows: 51% to Corporations, 24% to Local Authorities, 22% to Public Entities and 3% to Foreign Entities.
- The proceeds from medium and long term funding operations concluded in 1985 totalled US \$ 1,562 million, including the issuance of bonds for an aggregate amount of US \$ 840 million.

The statutory accounts for 1985 have been audited by Peat, Marwick, Mitchell & Co.

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Here are the facts about the Schott Group in brief: 50,000 different products, 40 production units worldwide, 300 subsidiaries and agents in more than 100 countries, annual turnover more than £500 million.

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APPOINTMENTS

APPOINTMENTS

Two senior posts at the Newcastle

NEWCASTLE BUILDING SOCIETY has appointed Mr D. W. Midgley as chief executive designate. He has been with the society for eight years. Mr Allan Cowan becomes deputy chief executive designate. He has been with the Newcastle for over 20 years. Both appointments anticipate the retirement in March 1987 of Mr Phillip Langley-Essen, currently managing director of the society.

Mr Ian Hay Davison has been appointed to the board of **MORGAN GRENFELL ASSET MANAGEMENT** as a non-executive director. He is a member of the council of the Institute of Chartered Accountants in England and Wales. From 1983-1986 he was a deputy chairman and chief executive of Lloyd's.

TUCKER FASTENERS, Birmingham, has appointed Mr Dennis Harrison as marketing director. Tucker is part of the Embart Corporation of the US.

Mr Phillip T. Black has been elected chairman of **FACTORS CHAIN INTERNATIONAL**. He is managing director of Arbutnot Factors and a council member of the Association of British Factors.

BOULTON & PAUL, a BET company, has created a new post of manufacturing director and appointed Mr Roy Hammond to the board. He was managing director of Boulton & Paul (Manufacturing). Coincident with Mr Hammond's promotion, three executives have been appointed to the manufacturing board. They are Mr Richard Drake, engineering, Mr Nick Davenport, purchasing and Mr Mike Miles, finance.

SYSTEMS DESIGNERS has appointed Mr David Bunting as director of its communications operating group. The company has named Mr Bill Patterson and Mr Andrew Peters as directors of the finance and communications division. Mr Patterson takes responsibility for all sales activi-

ties and Mr Peters for software production.

Mr Howard Dyer has been appointed managing director of **SPENCER CLARK METAL INDUSTRIES**, part of the Williams Holdings group. He joined Williams Holdings from British Alcan Aluminium, where he was managing director of the Alcan Systems group of companies and chairman of Hinox.

Mr James Eyles has been appointed **BRITISH AIRWAYS** director of fuel. He will join the airline on August 1. Mr Eyles, recently retired from Shell where he was corporate vice president for world aviation sales.

Mr John Loynes, Mr Peter Cooper and Mr Peter Smith have been appointed directors of **CONTINENTAL REINSURANCE CORPORATION (U.K.)**. Mr Cooper and Mr Martin Haber have been appointed directors of Unionamerica Insurance Company.

APV AUTOMATION has appointed Mr Bill Kirkland as projects director where his prime responsibility will be to focus application and research and development resources more closely on the needs of customers. The company is part of A.V. Holding.

Mr Linda Bells has been appointed a director of **IRPC (Legal and Personnel Insurance Services)**. She is general manager. IRPC is a wholly-owned subsidiary of Stewart Wrightson.

Mr Edgar Poppleton (E. Poppleton and Son, Colwyn Bay) has been elected president for 1986-87 of the **HEATING AND VENTILATING CONTRACTORS' ASSOCIATION**. Mr John Bessford (BHP Engineering, Banbury) is the new president-elect and Mr Chris Carbin (Virgo (Engineers), Brighton) the new vice-president.

NUCLEAR INDUSTRY

David Marsh on the tasks facing France's atomic energy commission

CEA adjusts to uncertainties

A TOP-LEVEL shake-up is under way at France's state Commissariat à l'Energie Atomique (CEA), which has presided over the country's military and civil nuclear energy build-up since the war. The moves come as the changing nature of the atomic industry is pushing the commission towards a new industrial strategy.

The French Government decided on July 2 to appoint Mr Jean-Pierre Capron as administrator-general in charge of the nuclear energy commission, replacing Mr Gerard Renon.

The CEA had been in the driving seat of the country's post-war drive to catch up with the US and Britain in atomic energy. Now France has leapt ahead of the rest of the West with the world's most concentrated nuclear programme. As a result the CEA faces the task of managing a formidable portfolio of nuclear-related businesses squaring up to tough international competition.

The CEA's industrial activities, split off by Mr Renon as a separate holding company called CEA-Industrie, are starting to produce eye-catching profits. But CEA-Industrie is also preparing for a period of uncertainty because of likely further reduction in international N-plant construction following the Chernobyl accident in the Soviet Union.

Mr Capron, 42, is an austere technocrat who for the past year has been director general of the troubled Technip plant engineering group. He owes his new post partly to the new right-wing Government's politically-motivated desire to oust Mr Renon, a Socialist-leaning former adviser to President Francois Mitterrand, on the expiry of his contract.

Like Mr Renon and previous CEA administrators Mr Capron is a graduate of the Ecole Polytechnique, the elite engineering academy. He also benefits from the support of Mr André Giraud, France's Defence Minister, who was head of the commission from 1970 to 1978.

Mr Capron will have to weather the Government's undoubted desire for budgetary stringency at an organisation which, for both military and civil research, absorbs FFr 16bn (\$2.3bn) a year of Government spending.

The commission's main civil research programme involving

work on the plutonium-burning fast-breeder reactor, faces question-marks because of delays in N-plant construction and the present world-wide glut of energy. Some cuts in its 23,000 staff look unavoidable.

But Mr Capron's most challenging task—and one which fits in with the Government's free-market philosophy—may well prove to be preparing CEA-Industrie for eventual entry of private shareholders.

Mr Renon's last public appearance at the end of last month was to announce a sharp improvement in CEA-Industrie's profitability.

Linking a variety of businesses including Cogema, the nuclear fuel services group, Framatome, the reactor company, Csi, in computer services and Oris in the medical sector, the industrial company turned in after tax consolidated profits for last year of FFr 951m (\$136.9m) on turnover of FFr 23.3bn.

This compared with profits of FFr 241m on sales of FFr 23bn in 1984, and only FFr 99m on FFr 22bn in 1983. CEA-Industrie made an approach to the investment community at the end of last year for FFr 500m through the issue of *titres participatifs* (non-voting loan stock) convertible into *certificats d'investissement* (non-voting shares).

This conversion mechanism offers a clear route for the CEA's flagship company to open its equity base to private shareholders in coming years. The inherent uncertainties overhanging the nuclear business would increase the speculative favour of any such capital market operation.

But Paris stockbrokers believe the present profitability would be bound to attract investor interest. The group's cashflow last year was at FFr 7bn the highest for any French company apart from the Elf and Total oil concerns. CEA-Industrie's profit before tax last year totalled FFr 2.13bn, a sharp jump from FFr 368m in 1984.

One important reason for the earnings leap came, ironically, from the performance of Framatome—a company which in 1985 was at the centre of a bitter dispute between Mr Renon and Mr Jean-Claude Leny, the tough-talking chief executive of the reactor

Framatome, was previously a 50:50 joint subsidiary of the CEA and Creusot-Loire. It became wholly-owned by the commission after the heavy engineering group was put into liquidation in 1984.

Since January this year, Framatome's capital structure has been reorganised. The CEA stake has been cut to 35 per cent and Compagnie Générale d'Electricité, the state-owned electronics and engineering

per cent and fuel fabrication and other activities 3 per cent.

Part of Cogema's heady growth last year came from the sharp rise in the dollar. This gave it an important competitive edge against the US Department of Energy in uranium enrichment for light water reactors (LWRs), which is carried out at the multinational Eurodif plant on the Rhône in which Cogema has a majority stake.

However, an important source of profit remains Cogema's reprocessing plant at La Hague near Cherbourg on the Normandy coast. This is the world's only commercial facility for reprocessing spent nuclear fuel from LWRs into potentially-reusable plutonium and uranium, together with radioactive waste products.

The plant is now operating at its full 400-tonnes-a-year capacity. It is being used above all by foreign utilities, led by those from West Germany and Japan. They pay on a cost-plus basis for reprocessing services. This is believed to give Cogema a 10 per cent profit margin.

Additionally, Cogema benefits from large cash advances by foreign utilities to finance a considerable portion of a FFr 500m investment programme that will quadruple La Hague's capacity by the beginning of the 1990s. The funding method negotiated by Mr Giraud in the 1970s gave Cogema FFr 18bn in advances in hand at the end of last year—up from FFr 14bn at end 1984—making an important contribution to its FFr 420m net investment earnings.

Mr Francois de Wissocq, the Cogema chairman, has warned that the nuclear industry is entering a difficult period. He is clearly trying to avoid the impression that Cogema's profits can go on growing indefinitely.

However, the company has the clear advantage over international competitors such as British Nuclear Fuels, in being able to offer utilities a comprehensive range of services.

Mr de Wissocq has pledged that Cogema will make a priority of flexibility in coming years. Combined with France's undoubted technological expertise in the sector, this is a sign that whatever the present clouds over the industry, the CEA aims to stay ahead in the international nuclear stakes.



Mr Jean-Pierre Capron: brought in by the right-wing government to implement a new industrial strategy

group, brought in as main shareholder with 40 per cent, with Dumez, the construction group and Electricité de France also taking stakes.

But the downfall of Creusot-Loire gave the CEA a double windfall. For the first 20 months of 1985, it was able to fully consolidate Framatome's healthy earnings (a net FFr 656m over the whole of the year). Additionally, the sale in January of 65 per cent of its Framatome stake, at a price believed to have been around FFr 700m, will bolster revenues for 1986.

Last year the proportion of exports edged up to 41.5 per cent of the total CEA turnover from 40 per cent in 1984. Natural uranium sales—Cogema controls about 20 per cent of non-Communist world production—made up 26 per cent of turnover, uranium enrichment 47 per cent, reprocessing 24

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UK NEWS

Code for union ballots 'needed to curb abuse'

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT should introduce a code of practice on trade union workplace balloting to curb malpractice and reduce the influence of union activists...

Mr Graham's call gains particular force because of his own position. He takes over today at the joint management-union Industrial Society after leaving on Friday his post as general secretary of Britain's largest civil service union...

He says the voting provisions in the Government's 1984 Trade Union Act have led to an "enormous growth" in workplace ballots...

Lloyd's profit may accelerate on higher premium rates

BY JOHN MOORE

ESTIMATES PRODUCED from the returns of the business units of Lloyd's, the London insurance market's underwriting agents...

Table with columns: Account results of 256 syndicates, Allocated capacity, Total results, 1985, 1986, 1987, 1988

One survey has been produced by the Association of Lloyd's Members, a group formed to protect the interests of the underwriting members...

The motor insurance and aviation markets and substantially increased losses in Lloyd's non-marine or general insurance market...

Peter Riddell looks at plans to redefine the public sector

Labour maps its social ownership route

WIDE-RANGING plans for changing the structure of the public sector and its relations with private industry...

In the first stage, Labour would make full use of the shares in utilities already held by the Government...

Surveyors vote on break with tradition

By Andrew Taylor

BRITAIN'S 55,000 chartered surveyors will decide today whether to change their rules and allow members of their 194-year-old professional body to become public quoted companies...

Outside the utilities, the paper proposes a wide range of social ownership - British Enterprise will be set up to help start and stimulate activity in key sectors...

Government to loosen clamp on local council spending

BY ROBIN PAULEY

MORE THAN half of next year's 65.3bn public expenditure contingency reserve is to be allocated to the current expenditure of local authorities...

Ulster police accused over march tactics

BY HUGH CARNegie IN BELFAST

THE GOVERNMENT yesterday claimed success in averting a serious confrontation with Loyalists during Saturday's July 12 parade in the city...

MPs face busy run-up to summer recess

Peter Riddell writes

THE GOVERNMENT and the House of Commons face a hectic 10 days of announcements and decisions before MPs leave for the summer recess at the end of next week...

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MPs face busy run-up to summer recess. The Government and the House of Commons face a hectic 10 days of announcements and decisions before MPs leave for the summer recess at the end of next week...

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BUSINESS LAW

UK NEWS

Credit and the quickening pace of change

BY A. H. HERMANN, LEGAL CORRESPONDENT

THERE IS nothing wrong with the slow pace of British business legislation. It is entirely our own fault if we do not live long enough to notice any progress.

But there is some hope even for those of us who do not have another 100 years to live. The Department of Trade and Industry last week published a consultation document on security over property other than land by Professor Aubrey Diamond. It invites comments by October 1, and "informed circles" would have us believe that as soon as Prof Diamond prepares his final recommendations, the Government will start to draft a bill.

Perhaps the mandarins feel that they can do it now without being accused of indecent haste, having rejected the Crowther Committee recommendation in 1973, and allowed 10 years to pass since the Romalpa judgment of the Court of Appeal drove a coach and horses through the medieval debris of this area of the law.

Pawnbrokers

The rules governing movable securities for credit developed from the practices of pawnbrokers: these rules assumed that the pawn was handed over to the creditor. This is still, essentially, the law in Scotland. In England, the needs of industry and commerce led to additional forms of security enabling the manufacturer or trader to keep the pawned goods and to use them as equipment in his business, or to transform them into products and to sell them.

The Victorians introduced the floating charge which met these requirements, enabling the financier to be secured on the revolving assets of the debtor, including equipment,

raw materials, products, as well as book debts for sold goods; and to "crystallise" this revolving mass at the time when the creditor decided it was necessary to realise the security in order to get back his money.

The floating charge was introduced in Scotland in 1961, but there was little other change in that jurisdiction where the actual possession of the pawn is still supreme. By contrast in England, there is a bewildering multiplicity of various forms of securities which all have an identical economic function but widely different legal consequences according to the form chosen—an excellent thing for lawyers who are indispensable for drafting the right sort of documents but rather a regrettable state of affairs from the businessman's point of view.

The pawnbrokers' rule which requires the security to be physically handed over had, of course, a rational basis. It avoided pawning the family silver to two or three different people at the same time, as only one could take possession. The continental legal systems, German and French in particular, tried to overcome the problem of handing over securities to the creditor physically by creating the "good faith" rule. According to this, the creditor can make use of the security only as long as he acts in good faith: if he suspects that someone else has been given a security interest over it before him, his claim will collapse.

US system

The Uniform Commercial Code of the US provides a better solution in its Article 9. It created a simple system of registration which enables the creditor seeking security, or a potential buyer, to find out

whether the good offered as security or for sale are unencumbered by other people's security interests. The Article 9 solution is extremely flexible as in practice it achieves the same result as an English floating charge, namely the use of the security in the process of transformation from raw material into book debts, but without depriving the later supplier of a prior claim to the purchase price of the goods which he has delivered. A Romalpa type of retention of title achieves the same but without letting other creditors know as there is no system of registration.

The security rules of the US Uniform Commercial Code had been in satisfactory operation for some decades and they were adopted and further improved by several Canadian provinces. It was, therefore, hardly surprising that the Crowther report used Article 9 of the Code as its model for a new legal structure designed to replace the bewildering diversity of English security law, which often makes it necessary to use misleading names in order to achieve the desired effect. For example, a hire purchase agreement has nothing to do with hire, but everything to do with instalment sales, the "hire" had to be brought in in order to provide for the repossession by the seller of goods for which the instalments were not paid.

The Government accepted that the existing law caused difficulties, but opted, as governments do, for the devil it knew. That was in 1973. Some years later the recession and the wave of insolvencies demonstrated for all to see that the old devil was more dangerous than had been thought. While the banks could use the floating charge to sweep clean the residue of the failing businesses, suppliers and contractors were

left empty-handed, so that insolventcies had a domino effect. The Cork Committee on Insolvency acknowledged that the insolvency problems were only part of a wider problem of credit law and came down firmly in favour of the Crowther recommendations.

In 1983, 10 years after the rejection of the Crowther recommendations by the Government, Prof Roy Goode, one of the report's authors, was able to add a string of new examples to the criticism of the existing law. These illustrated the conflicts between secured creditors and creditors benefiting from a reservation of title, as well as the consequences of the rule giving priority to the last buyer of debts which may have been fraudulently sold more than once—a rule taking the baton out of all security of factoring and thus depriving small businesses of an easy way of converting credit sales into cash sales.

Rational law

The case was taken up by the Financial Times, first in this column on November 3 1983 and on the following day in a leading article, which formulated what should be expected from a rational law. First, that it should regulate uniformly all transactions which have the same substance, irrespective of form. Second, that there should be a simple filing system from which potential creditors could discover at a glance all the previous charges on the assets which they consider as possible security. It should be possible to cover a composite inventory by a single entry, and it could be left to searchers to obtain further details from the secured party. Such a registration system would remove the present uncertainty about priorities and protect the bona

fide creditor against prior unpublished charges on the assets. Third, the law should ensure that the debtor receives any surplus remaining in the hands of the creditor after the realisation of the security. There should also be no unjust enrichment of one creditor at the expense of others.

The Financial Times in 1983 urged the Government to follow the US model and to accept the Crowther Committee recommendations. It seems that, having pondered this advice for two years, the Minister of Corporate and Consumer Affairs in the Department of Trade and Industry asked Prof Diamond, a former Law Commissioner, to examine again the need to alter the law relating to security over property other than land.

Well aware of Scottish objections to the Crowther proposals, Prof Diamond asked Mr A. J. Sim, a former member of the staff of the Scottish Law Commission, and a distinguished panel of Scottish experts to assist him. His consultation paper invites views on a great number of questions, of which many boil down to one: should we have a uniform system for the UK, or should Scotland be left to go its own traditional and highly impractical way?

Of course it would be much better to have one system for the whole country. Indeed, some people might think that it would do no harm, but much good, if the UK adopted the Uniform Commercial Code of the US, lock, stock and barrel. But if Scottish lawyers stick to their guns, it is better to have a reformed system in England and Wales than nothing at all.

"Security over Property other than Land," consultation document by A. J. Diamond, Department of Trade and Industry, Companies Division, 10-15, Victoria Street, London SW1, free of charge.

Eurobond traders defer efforts to agree new dealing rules

BY ALEXANDER NICOLL

EUROBOND trading firms have delayed until the autumn attempts to agree on a controversial set of self-regulatory rules governing dealing practices.

Their failure to approve rules proposed by an organising committee illustrates the difficult task that will face the UK authorities as they apply a new self-regulatory framework to London securities markets under the Financial Services Bill now before the House of Lords.

A meeting on Friday last week of some 120 firms that regularly make secondary-market prices in Eurobonds did, however, give general support to the principle of setting new rules, if only to avoid having regulations imposed from outside as the new UK investor-protection law is applied.

The proposals are in broad outline and put before the market makers again in September. The committee that drew them up was formed under the aegis of the Association of International Bond Dealers (AIBD), which expects to be recognised as an investment exchange in the new UK structure.

Mr Tom Beacham, of the Canadian securities firm Wood Gundy, chairman of the market-makers committee, said the committee had set its sights high in aiming to have the rules approved on Friday, but that the meeting had made a satisfactory start. "We have achieved a degree of agreement which we hope

to consolidate at the next meeting," he said.

The secondary Eurobond market had a turnover of \$2,200bn in 1982, of which it is estimated that at least 75 per cent went through London. Its growth to such large proportions has led to a feeling among many market makers that, irrespective of the new UK legislation, they should have minimum standards among themselves to govern basic practices such as trading hours and price disclosure.

"We are trying to create a framework of discipline within the market so that if I want to do business at 4.15 pm on a Friday, I have got a better chance of doing it," Mr Beacham said.

The proposed rules, however, have served to emphasise the divisions and sensitivities within an unregulated, cross-border market. Firms on the European continent oppose what they see as submitting the whole market to UK-inspired rules. Even more controversial, the proposals represented a new attempt by some traders to restrict the activities of inter-dealer brokers, who, many traders believe, make prices to end-investors instead of simply acting between traders.

Friday's meeting rejected proposals that the identities of parties to deals done anonymously through brokers should be disclosed to each other before the end of each day. Instead, it adopted a proposal

from the floor by Mr Stanley Ross, a managing director of Deutsche Bank Capital Markets, that brokers should be subject to independent audits, to ensure that they are doing business only between market makers and not with end-customers.

Later on Friday, that proposal was put to a group of brokers. Mr Beacham said the brokers agreed to it in principle, and that the market makers promised to come back with firm proposals.

If a system were devised under which brokers subject to complaints would agree to independent assessment of their business, it would be an important advance, concluding a decade-old controversy within the Eurobond market.

The overall outcome of Friday's larger meeting was that each market maker was asked to submit its opinion in writing on each separate rule being proposed. None of the specific rules was formally approved, and the whole package will be re-drafted.

The proposal would set up a council of "reporting dealers," comprising all those firms attending Friday's meeting that wished to be bound during which they would make prices, minimum lists of bonds quoted, and to whom they make prices, and on disclosure of trading and closing prices.

GM closes outlets gap in sales race

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

GENERAL MOTORS (GM), the Vauxhall-Opel group, is fast catching up with Ford in terms of car sales per retail outlet. In the past, that has been a good indicator of the strength of a dealer network.

According to the latest survey of franchise vehicle networks by the Sewells International motor trade consultancy group, the two US-owned groups remain well ahead of other manufacturers in the UK, with 521 cars sold per outlet for Ford and 516 for GM last year. Austin Rover, the subsidiary of the Rover Group (formerly British Leyland), was in fourth place with 309 cars per outlet, behind Volkswagen-Audi, 328.

Sewells says there was a marked decrease in the total number of franchised car outlets last year compared with 1984—a drop of 4.2 per cent, from 8,568 to 8,208.

The number of Ford car franchises fell by 0.4 per cent to 1,085 over the same period and GM saw a 4.1 per cent fall to 655. Austin Rover's franchised car network was reduced by 10.1 per cent to 1,120.

Restructuring of the former BL car network is also reflected by the drop in Jaguar franchises from 152 to 132 and those for Land Rover from 275 to 230.

FSO, the Polish cars group, suffered the biggest percentage drop in outlets, a 28 per cent drop from 155 to 110. The biggest increases were experienced by Reliant, which has a new Ford-engined sports car to offer and whose franchised network went up in number from 87 to 92, while the Japanese company Suzuki put on 16.75 per cent by growing from 88 to 95 outlets.

CAR SALES PER OUTLET

	1982	1983	1984
Ford	498	490	521
General Motors (Vauxhall-Opel)	351	358	516
Volkswagen-Audi	328	328	328
Austin Rover	327	309	309
Reliant	280	280	294
Shelby	250	250	250
Peugeot	181	183	228
Volvo	230	242	272
Subaru-Subaru	182	171	192
Peugeot-Talbot	171	172	157

Source: Sewells International

Peugeot-Talbot, the French-owned group, cut the number of franchised outlets from 170 to 150, which helped its sales per outlet to jump from 170 to 200.

"Franchise Networks 1985", £12.95 from Sewells International, Queen's Square, Bath, Avon, BA1 2JZ.

STOCK EXCHANGE BUSINESS IN JUNE

Overall turnover falls 4.5% to low for the year

BY GRAHAM DELLER

BUSINESS ON the London Stock Exchange showed a marginal decrease during June, falling to the lowest level this year. Many institutional and professional operators again seemed unwilling to take out fresh positions and, encouraged by the prolonged spell of sultry weather, often diverted their attention to the counter attractions of Royal Ascot and Wimbledon.

Overall turnover last month fell by £1,838m, or 4.5 per cent, to £38,926m. The Financial Times turnover index for all securities was 1,192.0 which compares with the all-time peak of 1,337.4 established in April this year.

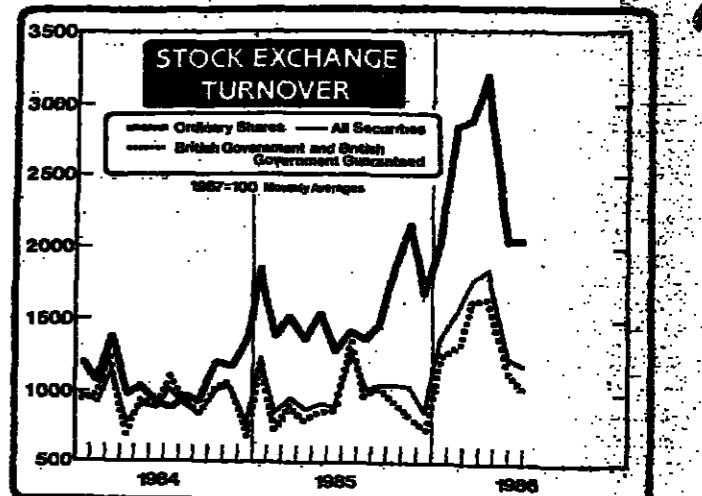
British Government securities were relatively volatile during June, however, reflecting the ebb and flow of interest rate optimism. Initial prospects at an early reduction in bank base lending rates—three-month interbank eased to 9.75 per cent on June 2—were dashed by the dismal money supply figures which disclosed a 3 per cent increase in sterling M3, well in excess of City expectations. Gilt-edged prices were immediately cut by up to 41 points and the FT Government Securities index, standing at 92.21 on June 9, drifted steadily to touch 90.32 by June 20 before ending the month at 90.34—a net fall of 1.28 points.

Business in Gilts fell £1.77bn, or 6.8 per cent, to £24,428bn. Shorts showed the larger decline with turnover down by £1.38bn, or 11.6 per cent, to £10.14bn, while activity in longer dated maturities and Irredeemables fell by only £440m, or 3.0 per cent, to £14,288bn. The Financial Times turnover index for Government securities fell to 1,033.4 from May's measure of 1,108.4.

By contrast, equity business held up well. Renewed fears about institutional liquidity were exacerbated by sizeable vendor placings from Cadbury Schweppes and Dec Corporation to finance their respective purchases of Canada Dry and Fine Fare.

Substantial funds were also tied up in the Thames Television and Morgan Grenfell flotations.

Nevertheless, confidence remained relatively high and with the help of encouraging trading while activity in longer dated maturities and Irredeemables



Trust and Cable and Wireless, the FT Ordinary share index, closed the month 45.3 points higher at 1,967.1.

Corporate takeover activity showed signs of abating, although an agreed merger was announced between Next, the high street fashion chain, and Grattan mail-order house.

Equity turnover expanded slightly to £11.51bn. The number of bargains transacted during June fell 5.64 to 489,818, although the average value per equity bargain was £200 higher at £23,800.

The Financial Times turnover index for Ordinary shares was 2,053.4, slightly up on the previous month's 2,082.5, but well below the all-time high of 3,237.6 set in April.

Category	Value £m	% of total	No. of bargains	% of total	Average daily value £m	Average bargain value £100s	Average no. of daily bargains
BRITISH FUNDS							
Short dated (5 years or less to run)	10,137.2	26.1	25,496	4.4	482.7	397.4	1,219
Others (over 5 years)	14,279.4	36.7	31,983	5.4	680.0	446.5	1,532
TOTAL	24,416.6	62.8	57,479	10.0	1,162.7	424.8	2,751
IRISH FUNDS							
Short dated (5 years or less to run)	443.5	1.1	1,230	0.2	21.1	300.6	59
Others (over 5 years)	1,851.9	4.7	2,542	0.5	88.2	728.5	121
UK LOCAL AUTHORITY							
OVERSEAS GOVERNMENT	177.2	0.5	1,795	0.3	9.4	43.2	36
OTHER FIXED INTEREST	453.9	1.2	26,146	4.6	21.6	109.9	85
ORDINARY SHARES	11,507.3	29.6	48,812	84.3	549.9	23.4	1,244
TOTAL	38,926.3	100.0	573,461	100.0	1,852.3*	67.8*	27,317*

* Average value of all securities.

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THROGMORTON
Investment Management

The applause dies out

One man has run Tunisia for 29 years. Now the future looks uncertain. Francis Giles reports.

THE CHEER leaders are still there, so is the principal actor, but the play no longer draws the crowd.

The 12th congress of Tunisia's ruling Socialist Destour Party (PSD) last month brought together over 1,100 delegates who greeted the appearance of the 63-year-old head of state, Mr Habib Bourguiba, with rapturous applause.

Democrates Socialistes, and the only one brave enough to resign, Manoucr Moalla, who dared question the extravagant spending lavished on Monastir.

Last week's sacking of Mohamed M'Zali was perhaps a recognition by the President that his Prime Minister for the past six years had, in the two-and-a-half years since the bread riots of January 1984, lost much of his credibility.

Virtually none of the delegates was even born when the play started half a century ago. Mr Bourguiba founded the Neo-Destour Party to fight French colonial rule in 1934 and has presided over his country's destiny for 29 years.

Tunisia has been among the Arab world's most stable countries and is one of the few where the army has not played a major role. Its stability has helped contain Libya's expansionism and it has been a staunch ally both of France and the US.

The view on the street, which in recent months nicknamed the Prime Minister "genarva" (artichoke)—his power and allies mercilessly plucked, by the President—proved to be on the mark.

Within Tunisia itself, the degree of alarm at this situation varies greatly. The half of the country which lives outside the town of Tunis, aware that farming has not been a major pre-occupation of the PSD since the aborted socialist policies of the 1960s.

A growing number of Tunisians, however, fear that the economic and social progress achieved in the past 30 years—the country, North Africa's smallest, boasts the fourth-largest per capita income on the continent—is being jeopardised by what critics see as the cynical behaviour of the President and his immediate entourage.

Ministers and senior officials come from an ever-narrowing and ageing circle, more often than not drawn from the President's home town of Monastir and its immediate surroundings.

Those who live in the cities have not fared badly if they are lucky enough to have a job in a factory or the bloated civil service, although the going is getting tougher. The important middle classes, which traditionally constituted the backbone of the PSD, and of Tunisia, are resigned but increasingly anxious about the unstable political atmosphere.

All this is happening at a time when the country's economic management is also coming into question. Tunisia was once held up as a model of development, but recently the World Bank has commented adversely on several issues: too many capital intensive projects funded in the wake of the oil boom (oil exports account for nearly 40 per cent of foreign income) whose justification looks increasingly dubious at a time of rising unemployment; large wage increases in the early 1980s encouraged by Mr M'Zali and not matched by any increase in productivity; a growing flow of imported consumer goods which has swelled the current account deficit; few encouragements for exporters;



President Bourguiba

and an overvalued dinar.

In a year when the country's oil income is plunging, when tourist receipts are hard hit by cancellations following the US air raid on the nearby Libyan capital, when lack of rain is resulting in a disastrous crop, the President's seeming willingness to maintain Mr M'Zali was not, in the eyes of many Tunisians, a factor helping to promote much needed reforms.

The aim of such moves would be to ensure that consumption does not increase faster than GDP and also to reduce the state's current expenditure from the present 25 per cent of GDP to 21 per cent by 1991—which means limiting any increase in the number of people working for the state to 2 per cent annum.

Certain measures to liberalise trade and investment might also be taken: private companies exporting 50 per cent or more of their output may be allowed to import whatever raw materials and spare parts they need.

Beyond the economic reforms, a number of other problems need to be addressed by the new Prime Minister. The trade union, Union Generale des Travailleurs de Tunisie, which was unwilling to forgo any fall in its members' standards of living, let alone shed jobs in the public sector, has been emasculated over the past 12 months by a mixture of force (its secretary general, Mr Habib Achour, is in prison) and deceit.

Another difficult issue is that of corruption, against which the President decreed a campaign last December.

But the campaign appears so far to have served to settle political scores rather than succeeded in clearing the air. Many of those taken to court have been close associates or members of the family of Madame Wassila Bourguiba, who until she left the country last winter was a very influential first lady.

Nonetheless, the campaign has sent shock waves through banking and industrial circles in Tunisia. The president of the state-owned Union Generale de Banques, Mr Tewfik Torgeman, who is Madame Bourguiba's son-in-law was recently sentenced to 18 years in prison. Observers could be forgiven for asking why it took the board 15 years to notice anything untoward.

There is also a good deal of cynicism among ordinary Tunisians about calls for belt tightening from the PSD daily L'Action. Unemployment is growing and as people watch the daily repeats of President Bourguiba's speeches of yesterday on television, some may be tempted to interrupt the play, as so rudely did during the bread riots of 1984.

They know that President Bourguiba's pet projects such as the extension to Mahdia of the costly Monastir to Sousse metro, which carries virtually no passengers, will continue regardless. In Tunis, they no longer bother to turn up when the President lays yet another first stone—since 1984, they seldom smile at what until then they had dismissed as the idiosyncratic of an ageing leader whom they still respected for all he had contributed to Tunisia in the past.

There are also increased signs of an authoritarian approach. Strict policing and round-ups of the disaffected have all too often replaced PSD meetings and the brilliantly didactic presidential speeches of the past. A General, Mr Zine El Abidine Ben Ali, holds the interior portfolio—in spite of the fact that Mr Bourguiba for most of his political life cautioned against allowing the army near the centre of power.

Islamic groups may constitute a threat, but assessing their strength is at present impossible.

Demonstrations, be they ordinary Tunisians protesting against the Israeli air raid on the PLO headquarters last October or students shouting anti-US slogans after the US air raid against Tripoli in April, are severely repressed; a number of opposition party newspapers, tolerated since 1981 have been suspended for long periods.

In confronting the arduous task of selling austerity and reform to a people increasingly weary of their masters' political games, Mr Rachid Sfar will need all the wit and conviction he can muster.

What comes after fixed commissions



By Barry Riley

"IF 25-year-olds in stockbroking firms are still earning £100,000 in a year's time then we won't have been doing our job properly."

The remark by a senior London fund manager sums up some of the frustration felt by institutional investors who have watched stockbrokers get rich twice, first out of fixed commission and then out of selling their firms to big banks at inflated prices. But after October 27, bargaining power ought to swing back towards the fund manager, perhaps with a vengeance.

Already the process of negotiation is well under way. Brokers have been touring their main institutional clients to try to work out their future relationships and methods of dealing. But a clear picture of the problem of trading in equities is unlikely to emerge much before Big Bang, and may be not for a good few months afterwards.

In gilt-edged, it should be said, there are no such uncertainties. As far as institutions are concerned, it will be a net trading market, with no separate commissions. The market-making firms will live off the spread between buying and selling prices.

Equity trading will be "much more complicated proposition, and no single method of dealing is likely to dominate, at least for a year or two. Both investors and securities firms are exploring different routes."

Among the fund management groups, for instance, County Bank will want to deal with agency brokers, and will therefore pay a commission, but Prudential Portfolio Managers will be aiming to do much of its trading directly with market makers through an in-house dealing desk.

As for the securities firms, Cazenove and James Capel are plumping for the agency route, and will generally steer clear of market making, as will some of the smaller brokers such as Panmure Gordon. But the general choice of the major firms is to set up integrated operations, with sales and trading closely linked.

Many will offer to transact business both on an agency basis and on an integrated, or dual capacity, basis—in some cases housing their agency brokers under a different roof, although this will not eliminate conclusively the conflicts of interest involved in such an

approach.

Such brokers are now mulling over various formulae governing the circumstances in which they would trade with their own market makers while still claiming to be acting wholly in the client's interest. The somewhat ill-defined concept of "best execution" is coming in for close attention here.

Last week Greenwell Montagu bravely announced that it was proposing to eliminate this conduct by acting only as principal, though confusingly it also announced its intention to charge an agency-type commission because of its commitment to provide clients with the best prices at all times.

The general opinion around the market was that Greenwell was walking straight into another minefield, because the concept of a "best price" is far too vague. It will only be possible to read such a price off the SEAIQ competing market makers' screen in 1,000 shares, and not for an institutional-sized bargain.

Obviously there has been a lot of scrutiny of American practices in the search for insight into the future development of the London equity market. But although London is importing some of New York's structures, the comparisons are not precise.

Thus equity trading in the US is still dominated by the New York Stock Exchange, which insists that all trades carry a commission. London will be much closer in style to the Nasdaq over-the-counter market where prices are set.

It could be misleading to look at Nasdaq in isolation, however, because institutions may use Big Board commissions as a means of paying for research and other services which are

relevant to their Nasdaq and other business.

In practice, almost all UK institutions are likely to be willing to pay commissions, at least on a proportion of their trading, in order to reward brokers for services that they value.

But how big will the commissions be? The starting point is an average institutional equity commission at present of around 0.4 per cent. However, on the really big business it is less: firms like Hoare Govett, Wood Mackenzie and James Capel receive an average UK equity commission of about 0.28 per cent.

County Bank, for example, says that it now pays an overall rate of 0.25 per cent, and it will be negotiating a flat rate somewhere between that and the 0.125 per cent charged by Arnie the new Stock Exchange matching service owned by a group of leading investment institutions.

The expectation is that there will be quarterly negotiations between brokers and clients until the market settles down, spacing out eventually to annual deals.

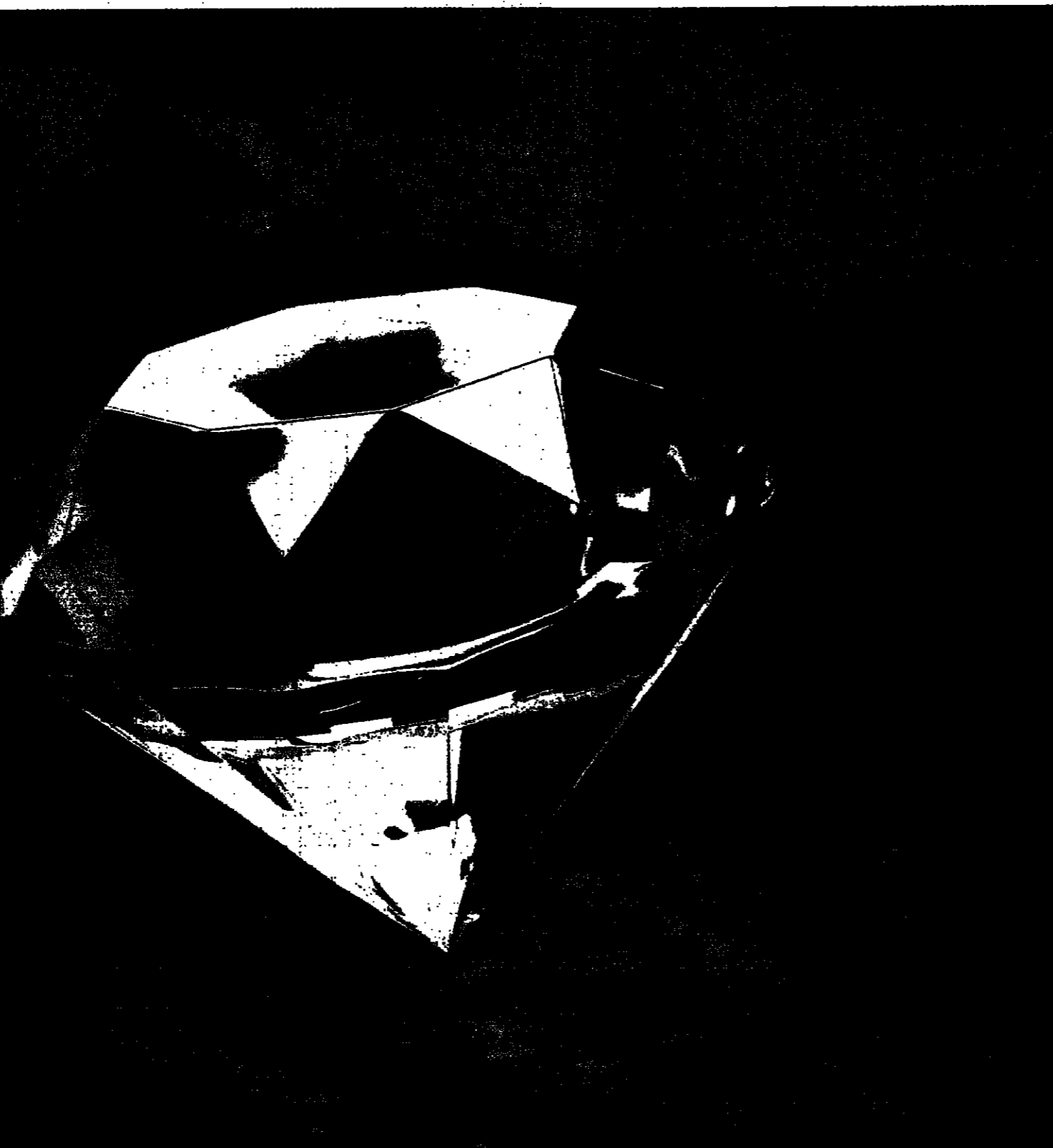
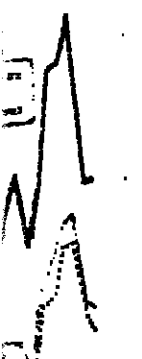
Pure agency commission deals may be rare. Institutions may also do volume-based deals with the integrated firms, on the basis that a stream of easy business in ICI and BF has a positive value to a market maker.

As a variation, they may deal on net prices in either narrow spreads or in wider spreads when they want to pay for such luxuries as a higher position on a star analyst's telephone list. It could become an important consideration that the tax system encourages net trading: commissions bear VAT at 15 per cent, wider spreads do not.

There is a great deal to think about, and not all fund managers welcome the distraction from the basic priorities of asset allocation and stock selection. Arguably, there are more important things to be concerned about than saving small fractions of a percentage point on transaction costs.

But handing over the responsibility to a specialist dealer has the practical consequence that he quickly becomes by far the most important person in the organisation as far as the brokers are concerned. That spotty-faced young dealer may wind up getting all the champagne at Christmas.

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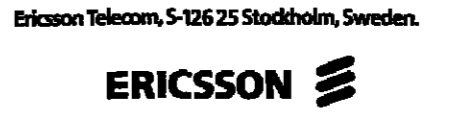
Any telephone company choosing Ericsson Telecom as a partner is making a wise investment in an assured future.

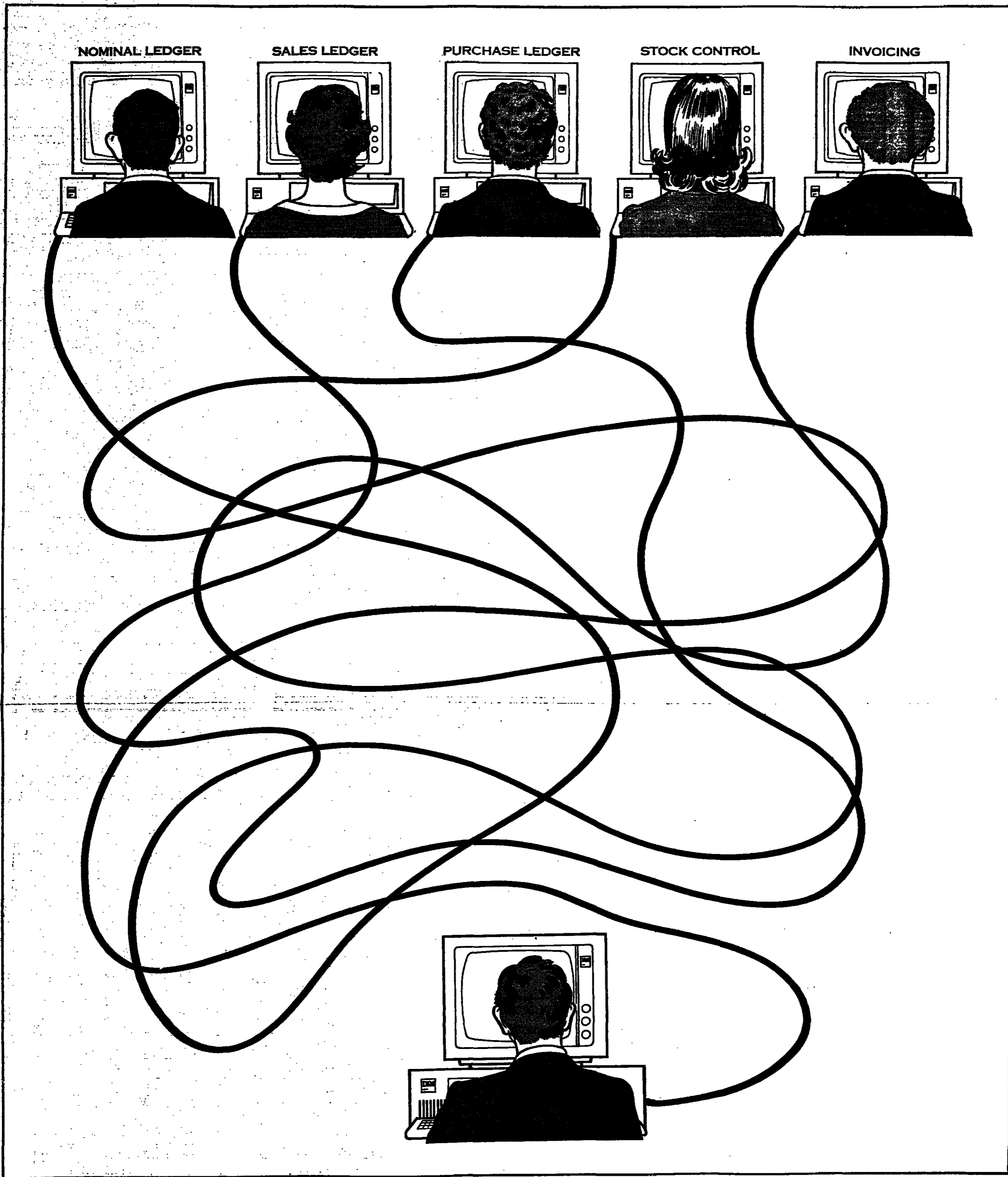
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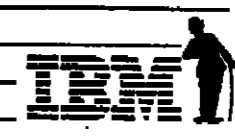
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BASE LENDING RATES

Table with columns for bank names and interest rates. Includes AEB Bank, Allied Arab Bank Ltd, Allied Irish Bank, American Express Bank, etc.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS
July 14-17 International Water Exhibition and Conference W O R L D WATER (0823 77811) Olympia
July 15-17 Systems for the City Exhibition (01-868 4466) Barbican Centre
July 15-18 PC User Show and Conference (01-608 1161) Olympia
July 20-24 Gift Trade Fair (0232 867153) Harrgate Exhibition Centre
July 24-27 Acorn Computer User Christmas Show (01-349 4687) Barbican Centre
July 29-August 3 Motor Music Fair - MAKING MUSIC (01-385 1200) Olympia
July 31-August 3 National Fitness and Health Exhibition - PHYSICAL (0273 206722) Kensington Exha Centre
August 5-10 Women's World Exhibition (0272 212206) Bristol
August 21-September 6 International Autumn Fair (01-240 7013) Leipzig
September 10-14 International Autumn Fair (01-451 4551) Vienna
September 17-24 International Engineering Fair (021-455 9600) Brao
September 23-28 International Road, Rail, Sea and Air Transportation Exhibition (01-966 4587) Guangzhou
September 30-October 4 International Machine Tool Trade Fair - INVERTOOL (01-877 4561) Vienna
October 2-5 International Trade Fair (CANCON) INT EKANE MASSAN (01-486 1951) Malme
October 26-28 Finnish Fashion Fair (01-496 1961) Helsinki

Commons and Lords business this week

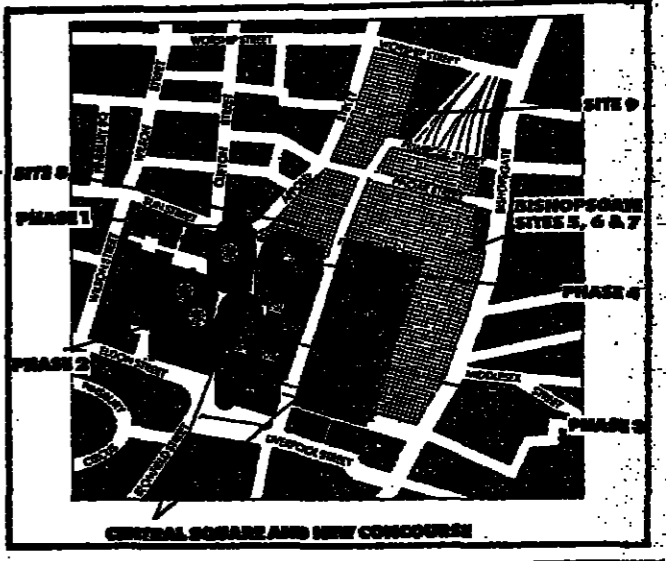
TODAY
Commons: Legal Aid (Scotland) Bill, remaining stages. Unopposed private business.
Lords: Social Security Bill, report. Incest and Related Offences (Scotland) Bill, consideration of Commons amendments.
TOMORROW
Commons: Opposition debate on defending British high technology industries. Motion on drivers' hours regulations. Opposed private business after 7 pm.
Lords: Social Security Bill, report. Rehabilitation of Offenders Act (Exceptional Circumstances) Order, motion for approval.
WEDNESDAY
Commons: Opposition debate on a subject to be announced. Motion on control of pesticides regulations. Motion on agricultural allowances. Remaining stages of the British Council and Commonwealth Institute Superannuation Bill.
Lords: Crown Agents (Amendment) Bill, committee. Trade and Industry. The tin crisis, Witnesses: Mr Paul Gannon, Trade and Industry Secretary, and Mrs Lynda Chester, Minister of State for Foreign and Commonwealth Affairs. Committee on a Private Bill (Harrick Parkston Quay (Room 8, 11-12 Cross Street) Room 8, 10.30 am).
Commons: Finance Bill, remaining stages. Finance Bill, third reading. Patents, Designs and Marks Bill, committee. Education (No 2) Bill, second reading.
Lords: Finance Bill, consideration of Commons amendments. Public Order Bill, committee.
WEDNESDAY
Commons: Channel Tunnel Bill (Grand Committee Room, Westminster 10.30 am). Trade and Industry. The tin crisis, Witnesses: Mr Paul Gannon, Trade and Industry Secretary, and Mrs Lynda Chester, Minister of State for Foreign and Commonwealth Affairs. Committee on a Private Bill (Harrick Parkston Quay (Room 8, 11-12 Cross Street) Room 8, 10.30 am).
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Lords: Finance Bill, remaining stages. Finance Bill, third reading. Patents, Designs and Marks Bill, committee. Education (No 2) Bill, second reading.

CONSTRUCTION Broadgate progress

Broadgate—the largest building project in the City since the Great Fire of London in 1666—was inaugurated on Friday by the latest tower of the Prime Minister and the Regimental Band of the Coldstream Guards.
Assembling developers, bankers, builders and architects slipped pink champagne under an awning—as Mrs Thatcher—clad in blue with a white hand hat—operated the crane which lifted the last section of red granite cladding for Broadgate phase II into position.
As she returned to earth, Mr Geoffrey Bradman of the Developer, Rosneath, Stanhope, reminded her that it was only a year ago that she had driven a large mechanical digger to mark the start of work on the site—this section on which she promised to inaugurate the development if it could be ready within a year.
For Broadgate is not only the largest building project under way in London—phases I and II total 720,000 sq ft, of a development which, when completed with its next two stages and with the developer's adjacent Bishopsgate will make a total of 4m sq ft, the largest single office development in the Common Market—it is also the fastest.
The Prime Minister was such that "I had suspected I would not be here today, and had agreed to fly to Vancouver," said Mrs Thatcher. "But I arranged a flight. Right just in case you did it—and you have."

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OVERSEAS TRADE FAIRS

July 21-24 International Laboratory Equipment Exhibition - LABEX (021-708 6707) Sydney
August 27-29 City Planning Exhibition (021-708 6707) Klamea
August 30-23 Office Technology and Computer Exhibition (01-456 1951) Kuala Lumpur
August 29-31 International Trade Fair (CANCON) INT EKANE MASSAN (01-486 1951) Malme
August 26-28 Finnish Fashion Fair (01-496 1961) Helsinki
September 2-5 International Trade Fair (CANCON) INT EKANE MASSAN (01-486 1951) Malme
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BUSINESS AND MANAGEMENT CONFERENCES

July 18 Legal Studies and Services: Mergers and acquisitions, strategic tax and accounting issues (01-235 4080) Royal Lancaster Hotel, W2
July 31 Joint Chamber of Commerce: Seminar on the cause and effects of the "big bang" (01-268 4444) Savoy Hotel, WC2
August 13 Management Training Consultants: Successful supervision. (Leicester 27063) Hatfield
August 28-29 FT Conference: World aerospace to the end of the century (01-821 1365) Hotel Inter-Continental, W1
August 28-29 The Robert Institute: Hazards in water—a national seminar to discuss the implications for human health of contaminants of the water cycle. University of Surrey, Guildford
September 4-5 Euroforum Conference: Euro-bonds '86 New opportunities in creative markets (01-236 3288) Grosvenor House, W1
September 8-10 Institute for Personnel Management: Personnel statistics (01-246 9100) Embassy Hotel, W2
September 8-10 Frost and Sullivan: Introduction to OSI and its support for message handling systems (01-885 4433) Regent Crest Hotel, WC2
September 11 SFS: Stress (01-736 0194) The Royal Garden Hotel, W8
September 15-16 GDI International Conference: Intelligent buildings (Zurich 01 724 0250) Zurich
September 15 Copper Development Association: Aluminium bronzes for industry (0707 50711) Cranleigh Conference Centre, W1
September 16-17 Fuel and Metallurgical Journals: Independent power generation conference and exhibition IN POWER '86 (0787 68611) Excelsior Hotel, Heathrow

NATIONAL BANK OF CANADA. U.S. \$50,000,000 Floating Rate Notes due July 1991. In accordance with the provisions of the Notes notice is hereby given that for the six month interest period from July 14th 1986 to January 14th 1987 the Notes will carry an interest rate of 7% per annum. The Coupon amount payable on Notes of U.S.\$5,000 will be \$178.89.

Agent Bank FIRST CHICAGO LIMITED. In accordance with the provisions of the Notes notice is hereby given that for the six month interest period from July 14th 1986 to January 14th 1987 the Notes will carry an interest rate of 7% per annum. The Coupon amount payable on Notes of U.S.\$5,000 will be \$178.89.

£25m hospital to be built in Cairo

HIGGS AND HILL has been awarded a £25m project management contract by the Cairo Organisation for Medical Treatment for the design, construction and equipping of a major new hospital in Cairo, Egypt. Architect for the project is the Percy Thomas Partnership and main contractor Costain International Construction and Reconstruction Engineering Joint Venture.
The £25m project will provide 300 beds with facility to extend to 600 in two further phases. The nine-storey stepped structure will have a central courtyard. Walls are of cavity blockwork painted white, while planted terracing is used at each level. The wards are on the perimeter of the building with access to the terraces. Green aluminium louvre shading will project 3 metres from the concrete edge beams to provide a central courtyard. Walls are of cavity blockwork painted white, while planted terracing is used at each level. The wards are on the perimeter of the building with access to the terraces. Green aluminium louvre shading will project 3 metres from the concrete edge beams to provide a central courtyard.

Financial Times Conferences

RISK MANAGEMENT INSTRUMENTS
London—September 15 and 16, 1986
Risk management instruments: the growing number of sophisticated rival products for handling interest rate and currency risks, will be the subject of a high-level conference to be arranged by the Financial Times in London on September 15 and 16.
Financial engineering for interest rate protection considering whether companies and financial institutions can justify the cost of using the markets will be addressed by Mark Blimfield, executive director, Citicorp Investment Bank, and Robert Weir, executive director, Household Mortgage Corporation PLC. In a separate forum on currency risk management the cost factors will be addressed by Geoff Warren, manager, Financial Engineering Group, Midland Bank Group Treasury, and John Finnie, assistant group treasurer, GKN plc.
PACIFIC BASIN OIL AND GAS—PRICES, INVESTMENT AND THE BUSINESS OUTLOOK
Hong Kong—September 23 and 26, 1986
The FT conference programme has a strong tradition in the energy field. This year's major oil and gas forum is to be held at the Hong Kong Meridien on September 23 and 26 in association with Petroleum News. It will also be the leading Indonesian official; Mr Zou Ming, senior adviser to the China National Offshore Oil Corporation; Mr Paul Ravesties, president of Arco Petroleum; and Mr Dick van Hilten, chairman and chief executive of Shell Refining in Singapore, will be members of a prominent panel of speakers under the chairmanship of Mr Peter Gaffney of Gaffney, Cline & Associates and Mr Chota Sophonpich of the Bangkok Bank.

Company Notices

NOTICE TO HOLDERS OF EUROPEAN DEPOSITORY RECEIPTS (EDRs) IN ARINOTON CO. INC.
Further to our notice of July 14, 1986, EDR holders are informed that Arinoton has paid a dividend of record for 1986. The cash dividend payable is 100.00 per share. Pursuant to the Terms and Conditions of the Depositary, the net amount of the dividend payable to EDR holders is 95.00 per share. EDR holders may now present their EDRs to the depositary for payment of the dividend. Payment of the dividend will be made by the depositary to the EDR holder in the currency of the EDR. The dividend will be paid to the EDR holder in the currency of the EDR. The dividend will be paid to the EDR holder in the currency of the EDR.

NO YOKADO, LTD.

The undersigned announces that the Annual Report 1985 of No Yokado, Ltd. will be available in Luxembourg at Banque Générale du Luxembourg SA and further in Amsterdam at Algemeen Bank Nederland NV, Amsterdam-Rotterdam Bank NV, Pilsener, Holding & Pilsener NV, K&S-Associatie NV, Amsterdam.
AMSTERDAM DEPOSITORY COMPANY N.V.

BANQUE PARIBAS

U.S. \$400,000,000 Undated Subordinated Floating Rate Securities
In accordance with the provisions of the Securities, notice is hereby given that for the interest period 11th July, 1986 to 11th September, 1986 the Securities will carry an interest rate of 7% per annum.
Interest payable value 11th September, 1986 per U.S.\$1,000 Security will amount to U.S.\$12.06 and per U.S.\$10,000 Security will amount to U.S.\$120.56.
Morgan Guaranty Trust Company of New York
London Agent Bank

REPUBLIC OF AUSTRIA

U.S.\$50,000,000 8 3/4% Bonds 1980
S. G. WARBURG & CO. LTD. announces that the redemption instalment of Bonds due 15th August, 1986 for a nominal value of US\$1,000,000 has been met by purchases in the market. US\$2,000,000 nominal amount of Bonds will remain outstanding after 15th August, 1986.
The following Bonds drawn for redemption on the dates stated below have not yet been presented for payment:
15th August 1981
15th August 1978
1710
15th August 1977
32500
Bonds together with accrued interest to said dates are payable at:
S. G. WARBURG & CO. LTD.
Paying Agency, 6th Floor,
1 Finlayson Avenue, London EC2M 2PA
or one of the other paying agents named on the Bonds.
14th July, 1986

Contracts & Tenders

SYRIAN ARAB REPUBLIC DAMASCUS CITY WATER SUPPLY AND SEWERAGE AUTHORITY
El-Nasr Street, Damascus
Syrian Arab Republic
CALL FOR TENDERS
Water Laboratory Equipment
Damascus City Water Supply and Sewerage Authority, (DAWSSA), El-Nasr Street, Damascus, Syria, invites tenders under sealed cover, in accordance with Decree 195/74, for the supply of Laboratory Equipment and Materials for the determination of health related constituents in water, such as heavy metals and organic compounds.
—Tender Security: Five Thousand (\$5,000) U.S. Dollars
—Performance Bond: Ten (10) per cent of awarded contract price.
—Validity period of Tenders: Not less than ninety (90) days following the closing date for submission of tenders.
—Delay Penalty: One per thousand for each day of delay.
—Prices: Tender prices shall be final, no price reductions allowed.
—Agency: Exclusive agents, if any, shall be registered with the Ministry of Economy and Foreign Trade, in the foreign companies register.
—Closing date and place of submission: 15 September, 1986, during official working hours, to the DAWSSA Registry, El-Nasr Street, Damascus, Syria.
—Tender documents: May be obtained by application in writing or telex (FIGDAM 411212 SY) to the DAWSSA Contracts Department against payment of five hundred (500) Syrian Pounds. Documents will be airmailed by DAWSSA to interested firms abroad upon transfer of U.S.\$100 to DAWSSA account No. 2001/10 with the Commercial Bank of Syria.
President/Director General
Eng. RIDA MOURTADA

Clubs

BWT has notified the other members of a policy of 100% and 50% for members.
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Art Galleries

LEGER, 13, Old Bond Street, ENGLISH PICTURES FOR THE COUNTRY HOUSE.
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LEGER, 13, Old Bond Street, ENGLISH PICTURES FOR THE COUNTRY HOUSE.

Classified Advertisement Rates

Table with columns for advertisement types and rates. Includes Commercial & Industrial, Property, Residential Property, Appointments, Business, Investment, Opportunities, Business for Sale, Wanted, Personal, Motor Cars, Holidays & Travel, Contracts & Tenders, Book Publishers.

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Paying Agency, 6th Floor,
1 Finlayson Avenue, London EC2M 2PA
or one of the other paying agents named on the Bonds.
14th July, 1986

The Molson Companies Limited

U.S. \$35,000,000 Floating Rate Notes
Issue date 14th July 1986
Maturity date 14th July 1991
For the three month interest period from 14th July 1986 to 14th October 1986 the rate of interest on the notes will be 6 5/8% per annum. The interest payable on the relevant interest payment date will be U.S.\$8,465.28 per U.S.\$500,000 note.
Morgan Grenfell & Co. Limited
Reference Agent

PROFESSIONAL PERSONAL COMPUTER CONFERENCE

London—October 30 and 31, 1986
The Financial Times is holding its fourth Professional Personal Computer conference in London on October 30 and 31. The market for professional personal computers is changing rapidly presenting manufacturers and system suppliers with new challenges and opportunities. Trends in the industry may be reviewed by top executives from Apple Computer, Olivetti, Arriest Computers, ICL, Digital Research and Novell Inc.
All enquiries should be addressed to:
The Financial Times
Conference Organisation
Minster House, Arthur Street
London EC4R 9AX
Tel: 01-621 1355 (24-hour answering service)
Telex: 27347 FTCONF G
Cables: FINCONF LONDON

BLUE ARROW PLC

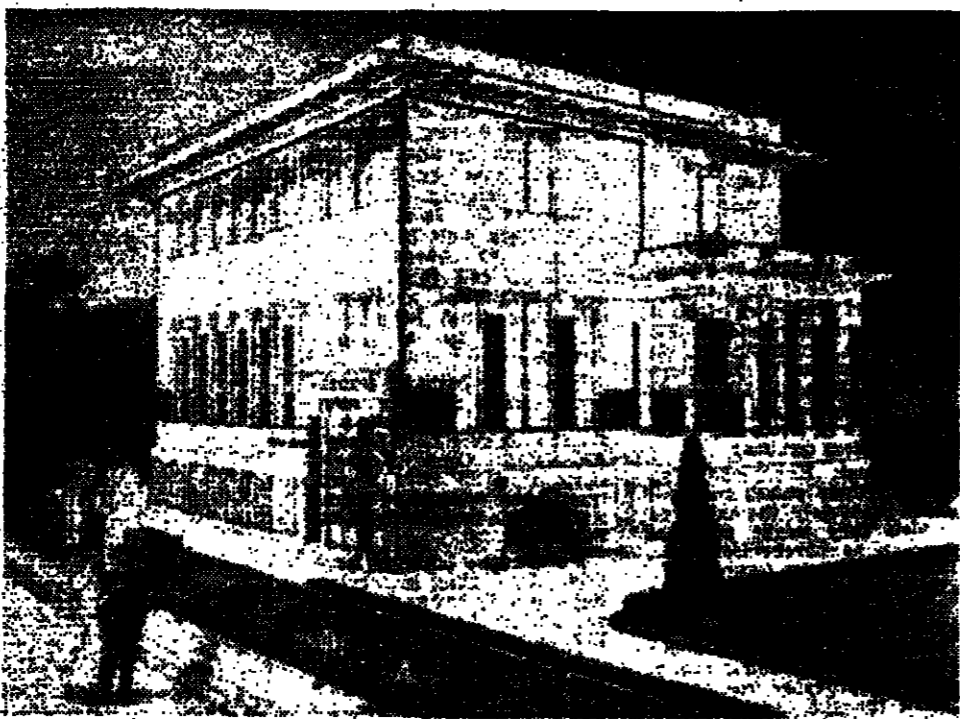
Authorised Share Capital £7,500,000 Ordinary Shares of 25p each Issued and to be issued fully paid £6,998,361
Blue Arrow PLC is the holding company of a services group operating in the fields of employment, contract cleaning and financial and other services.
Application has been made to the Council of The Stock Exchange for the admission of the whole of the issued share capital of Blue Arrow PLC formerly dealt in on the unlisted securities market, to the Official List. Details relating to Blue Arrow PLC and the above shares are available in the statistical services of Extel Statistical Services Limited. Copies of the listing particulars may be obtained during usual business hours 28 July 1986 from:
Blue Arrow PLC, Phillips & Drew, 120 Moorgate, London EC2M.
Company Announcements Office, The Stock Exchange, Throgmorton Street, London EC2.
14th July 1986

THE ARTS

Architecture/ Colin Amery

Vienna at the turn of the century

On the very night when the President of the United States pressed a button to relight the torch on the Statue of Liberty...



Otto Wagner's second villa of 1912—a chaste example of his conversion to modernism.

There is something extremely American about this presentation of a distinguished period of cultural history. In fact, it goes so far as to say that there is something particularly "American" about the great display...

among them." This leaves the visitor to judge for himself from a concise display of artifacts of the highest quality...

the decorator of the ceilings of the Ringstrasse houses — the tragedy is that the actual paintings were destroyed in a fire at the end of World War II.

It is only when they become a part of the total work of art (the Gesamtkunstwerk so much desired by artists and architects of this period) that their real qualities come to life.

The Rover/Swan, Stratford-upon-Avon

Michael Coveney

The RSC has had success with Yambrough and one of the objectives in the Swan is to dig deeper into the Restoration repertoire...

Hellena, "the maid designed for a nun," demands sexual liberty as a condition of marriage to Willmore...

which the text simply cannot support. What we miss, because of the roughhouse superficiality, is any sense of that fine line drawn and doled out around by Mrs Behn...

A great model has been made that is perfectly shown at eye level in the sort of didactic display that overlaps copper tiles on the dome...

One of the virtues of the Royal Opera's current production is that it lets the performers make of the score what they will. Since 1968, when it was new, the production has hosted revivals that have ranged from serious social comment...

As voice alone, she carries the evening. There is a lovely combination of youthful radiance and mature warmth in this soprano, allied to exemplary technical command...

Così fan tutte/Covent Garden

Richard Fairman

Few operatic scores unite text and music so completely as Così fan tutte. It is no surprise that Mozart's widow, 40 years after the event, chose to single out this opera for publication in Così from all his operas...

It is supported by an excellent catalogue and a free exhibition "newspaper" that is a splendid summary of the cultural background to the period.

As voice alone, she carries the evening. There is a lovely combination of youthful radiance and mature warmth in this soprano, allied to exemplary technical command...

Cheltenham Festival/Cultivating specific themes

David Murray

The 42nd Cheltenham International Festival of Music is now in mid-run, and running very strongly too. For some time it has been a festival of music, but in the 1980s it has been new music, especially new British music...

younger composers; a good reworking of familiar works (but even some of the most recent); a series of visits by new American chamber groups, each bearing novelties...

perhaps deliberately more accessible while retaining his particular baroque stamp. His Concerto for Orchestra was a substantial move in that direction...

press cuttings for the British Library. The Royal Institute of International Affairs has given its Chatham House Press Library Collection from 1938-68...

Side by Side by Sondheim/Donmar Warehouse

Michael Coveney

"Show People '86" continues at the Donmar Warehouse in Covent Garden with a tenth anniversary production of Side by Side by Sondheim...

own narrative and emotional content, no more so than the pulsating trio "Getting Married Today", or also from Company, the fast and witty "You could drive a person Crazy"...

Mr Pedlar is joined by Jonathan Cohen on second tenor, the slick baritone by Mr Kernan and Lindsay Dolan forestalling a muffled cry of complaint that the show has not been updated to include songs from the 1980s...

Arts Guide

Music/Monday, Opera and Ballet/Tuesday, Theatre/Wednesday, Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

July 11-17

Music

FRANCE
Abe-on-Fronville (July 9-10): Opera Festival: Don Giovanni, Idomeneo, Trovatore, Ariadne auf Naxos, recitals by Margarete Kover, and Jorge Bolet, de Victoria, Pauline Strauss, Mozart, Mendelssohn, Beethoven, Bach, Vivaldi concert (1923-71).

London Philharmonic Orchestra, conductor Klaus Tennstedt, Shlomo Mintz violin, Beethoven, Festival Hall (Mon), (822 3121).

Yehudi Menuhin School Orchestra with Sir Veludhi Muthiah, director/violin in a 17th birthday concert: Edgar, Bartok, Vivaldi, Baroque Hall (Mon), (338 8831).

NEW YORK
New York Philharmonic (Central Park): Free concert conducted by James Conlon with celebrate Basille Day followed by a fireworks display (Mon).

CHICAGO
Evelyn Festival: The 51st season, honoring Mozart on the 250th anniversary of his birth and Liszt on the 100th anniversary of his death...

TOKYO
Tokyo Philharmonic Orchestra, conductor David Shallon, Mariko Senju, violin; Takahashi, Mendelssohn, Tokyo Bunka Kaikan (Wed), (465 9011).

WENNA
Philippe Lebeaux, organ; Copernicus, Corneil, Roberdy, Franck, Dupre, Augustinerkirche (Fri).

WASHINGTON
Summer Festival (Concert Hall): Highlighted by a visit from the Newport Folk Festival in August, this summer-long string of popular singers and musicians includes red-hot performance Nell Sedaka, Shirley Bassey, Dionne Warwick and Petula Clark. Ends Aug 17.

Saleroom/Antony Thorncroft

From the sands of Araby

A bronze figure less than seven inches high of a Spartan warrior, which can be dated to the 6th century BC, is being sold by the Sutherland Trust...

The demand for English pictures is not as strong as it was a few months ago and on Friday Christie's total of just over £2m was marred by 31 per cent being unsold. A bizarre work by John Wootton, of a monkey dancing with a poodle, was unsold at £240,000 and a typical Herring Sea of horses was bought in at £110,000.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Monday July 14 1986

Commonwealth matters

AS THE DRAMA of "what happens next in South Africa" develops, increasing attention is likely to be given to the future of the Commonwealth. What is this amorphous body that regularly seems to have Britain in the dock, frequently threatening to break up, yet somehow so far has always managed to survive more or less intact? Is it a blessing or a burden?

The answer is that it is both. The Commonwealth is a blessing to Britain because no other former imperial power—and no superpower either—maintains such a range of contacts around the world. Almost every other power, including the superpowers, would be delighted to have such connections. France has them in a smaller way with its former colonies of Africa and shows no sign of giving them up. The Commonwealth is different in that it is composed of a number of developed as well as developing countries, huge nations as well as mini-states. There is nothing else like it. Membership enables people to talk to each other in a way that they might not otherwise do.

Broader dialogue

There is no reason why that should have changed since Britain became a member of the European Community. On the contrary, the Commonwealth countries and the Community have become much more conscious of each other's existence in a kind of learning process. The dialogue has broadened. Equally it has proved possible for Britain to belong to the Community while maintaining a close relationship with the US. To advantage for the rest of the Commonwealth is that the links with Britain help to provide links to a wider world.

The burden on Britain is that the Commonwealth sometimes asks too much. This is not a new development. Threats of withdrawal by some of the African members were frequent as Britain struggled to deal with the problems of Rhodesia's illegal declaration of independence, yet it held together in the end. The burden on Britain is also a blessing that should not be lightly thrown away. This is an expected — Standard's share price falls.

Union ballots fair and foul

IN ITS aim of encouraging much more widespread use of balloting by Britain's trade unions, the Government's 1984 Trade Union Act has been remarkably successful. The legislation has prompted a big increase in union balloting, and neither the Labour Party nor the TUC wishes to draw away from balloting as a principal, if not the principal, method of union decision-making, despite reservations to be voiced by some unions this week.

The current cases pose questions much more widespread use of balloting. Where power in a union rests on the outcome of a ballot, those seeking power will want to influence as far as possible the vote in their favour. Perfectly proper: the difficulties start when that desire to influence tips over into the improper — rigging.

Relative merits

Allegations of ballot irregularities tend to revive arguments about the relative merits of postal versus workplace balloting. The devout adherents of postal voting, among them the EETPU electricians and AEU engineering workers, claim they are incorruptible and provide the only true reflection of membership feeling. Supporters of workplace ballots say they maintain unions' traditional collective role, and make the unions more representative of their members through significantly higher turnout.

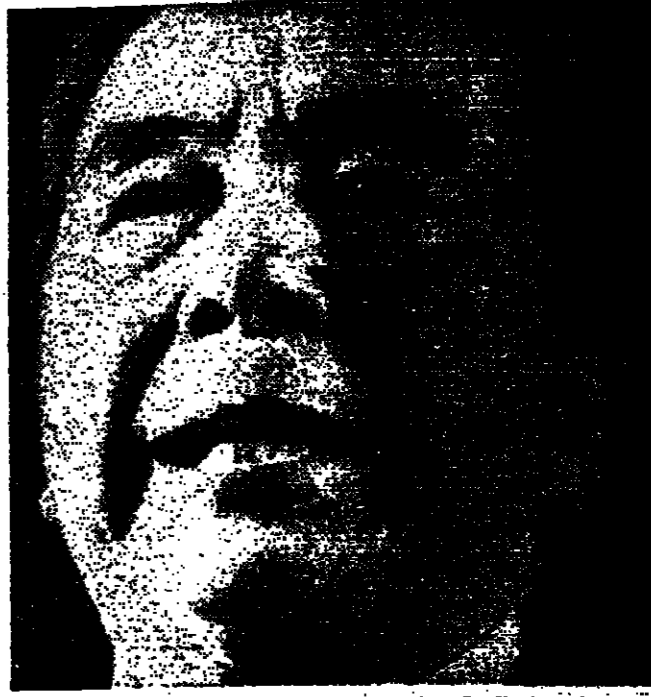
Run properly, ballots increase the authority of and confidence in trade unions — on the part of members, employers, Government and, above all, the public. But properly run they must be, and possibly impatient shareholders is now the question. "We're going to address that pretty quickly," said McWilliam.

STANDARD CHARTERED'S last-minute escape from Lloyds Bank's £1.8m takeover bid on Saturday has just about everything the financial thriller writer could want. The world's biggest attempted bank takeover, fabulously wealthy oriental investors riding to the rescue, hurried meetings at airports and a nail-biting climax in the City of London.

THE THREE businessmen from Hong Kong and Australia who came to Standard Chartered's aid last week showed that the bank can count on powerful friends. But their motives are far from clear.

Mr Robert Holmes à Court, the Australian who has 7.4 per cent, is one of Standard Chartered's largest customers — the bank is financing its attempted takeover of Broken Hill Proprietary with a Lloyds credit facility. In Sydney, the view is that he decided to respond to Standard's call for help in order to protect a relationship that could have been jeopardised by a Lloyds victory.

Known as both an opportunist and a masterly financial tactician, Mr Holmes à Court took over Lord Grade's Associated Communications traded struggle and now runs a worldwide business from his Perth base.



Mr Robert Holmes à Court: a seat on Standard's board

As he celebrated his victory on Saturday afternoon, with Standard's rescue, the Hong Kong businessman, Mr Michael McWilliam, the group chief executive, said: "Standard Chartered will never be the same again."

By Friday, Sir Y.K. had spent over £180m buying up 15 per cent of Standard's shares. He willed away Saturday morning to Standard's rescue, the Hong Kong businessman, Mr Michael McWilliam, the group chief executive, said: "Standard Chartered will never be the same again."

Investors, at least, there appears to have been genuine concern about Standard — which they have known and dealt with for generations — passing into the hands of Lloyds which has a mixed reputation in the Far East. The Chinese Government is even believed to have asked the UK Government why it was allowing the bid to go ahead.

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However, bank takeovers are particularly sensitive matters because of the danger of a loss of confidence by depositors. Although confidence in Standard has not been damaged, it must be a matter of public concern in Britain that effective control of a large bank can pass so quickly to investors on the far side of the world, some of whom may not be accustomed to investing in delicately tuned banks.

The White Paper on Banking Supervision published last December proposed that any investor seeking to buy 15 per cent or more of a bank must seek the prior permission of the Bank of England. In the subsequent debate about the White Paper — which will be transformed into a Bill later this year — it has been suggested that the 15 per cent ceiling be lowered. The Standard episode could reinforce that view, particularly in cases where customers end up owning large stakes in their banks and exposing themselves to possible conflicts of interest.

Standard's ability to summon its Far Eastern friends has turned out to be crucial. Tan Sri Khoo Teck Pao, the Malaysian businessman, bought 5 per cent of Standard's shares last week. Mr Robert Holmes à Court of Australia's Bell Group had 7.4 per cent, 40 smaller Hong Kong customers had up to 10 per cent. Even Mr "Tiny" Rowland of Lloyds got 3 per cent.

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COMPONENTS OF THE BANK

	Net assets (£m)	Net assets per share (p)	Pre-tax profit (£m)
North America	487.9	386.8	54 (Unilever 48.9)
Asia Pacific	352	225.3	43.7 (Kong 27.4, Singapore 15 (loss), Malaysia 25.2, Australia 6.8)
Mid East and S. Asia	56.5	36.2	4.4
Tropical Africa	107.1	63.2	4.6
Europe	32.8	59.8	35.6
UK	443.2	284.9	4.7

Source: Bid defence document

Bid Saturday in the City

If Saturday afternoons are supposed to be sacred the Takeover Code knows nothing of such observances. Lloyds Bank's bid for Standard Chartered expired at 5 pm on Saturday. Both banks were buzzing with bankers working most un-bankerlike hours.

Men and Matters

For the London financial markets, is considering what to do about shadowy international investors who do it never sign anything, anywhere. Part of the SIB's proposed new investor protection framework is a system of so-called customer agreement letters which will set out the precise individual relationships between investment firms and their clients. Firms will not be able to act unless they have a copy of a CAL signed by the client.

Link man

Michael Julien helped dig Midland Bank out of the pit created by the Crocker National Bank. Now he will be digging again — this time for the Channel Tunnel.

Old habits

When Austin Rover decided to offer samples of its newest and most glamorous model, the Rover Sterling (£18,800 with "soft leather seating") to a select list of some 30 of Britain's great and good for a two-week trial the British car maker did not anticipate refusals.

Does the area you're considering have an available, skilled workforce? Will you be eligible for the maximum available Capital Grant or £3,000 per job, and/or reduced rents up to 3 years on one of the largest ranges of premises in the country?

Are you moving into the heart of the country's communications network, with major road, rail, air and sea links, and with 15 million consumers and half of the UK industry within an hour's drive?

Will your new location be in desirable surroundings with quality housing available at low prices for your staff?

Would you benefit from the advice and guidance of a professional team that have helped famous names like Marks & Spencer, Sanyo, Guinness and Digital?

If you've travelled this far, you've arrived at Watlington-RUN. Find out more.

CALL EILEEN BILTON ON 01235 333333 OR PHONE 100 AND ASK FOR EILEEN BILTON

Watlington-RUN. The right team for your business.

Clean sweep

Today, the Industrial Society, in the shape of Mr Alistair Graham, its new director, whose resignation as CISA general secretary to take up his job precipitated the now controversial election in the union to find his successor, urges the Government to draw up a code of practice on the conduct of workplace ballots. In useful anticipation of no such move being made, the society will take the initiative by drafting such a framework itself.

Relative merits

Allegations of ballot irregularities tend to revive arguments about the relative merits of postal versus workplace balloting. The devout adherents of postal voting, among them the EETPU electricians and AEU engineering workers, claim they are incorruptible and provide the only true reflection of membership feeling. Supporters of workplace ballots say they maintain unions' traditional collective role, and make the unions more representative of their members through significantly higher turnout.

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Invisible clients

The securities and investments board, the new watchdog body

Observer

FOREIGN AFFAIRS: ARMS CONTROL

Hesitant steps on the summit threshold

By Ian Davidson

FOR MANY months, the Reagan Administration has been playing a waiting game in its negotiations with the Russians.

During most of this year, it was in a good position to do so, because of the yawning chasm between Mr Mikhail Gorbachev's public announcements and the formal proposals put forward by Soviet negotiators in Geneva.

These speeches sounded attractive, but the negotiating presentation was in too many respects manifestly unreasonable.

Moreover, a waiting game was politically convenient for President Reagan, because it meant that he did not have to decide what adjustments he was prepared to make in his own policies in order to get an arms control agreement with the Russians, and he therefore did not have to arbitrate between the warring factions of hawks and doves inside his administration.

That phase may now be over, because in the last few weeks the position has been reversed. On a number of important issues the Russians have significantly softened their earlier stance.

As a result, it is the Russians who may now be in a position to play a waiting game, and it is the Americans who need to decide how to respond.

In public, Soviet diplomacy and propaganda are just as active as ever. Two weeks ago Colonel-General Chervov, top arms controller in the Soviet General Staff, paid a very visible visit to Britain, with appearances at the House of Commons and at Chatham House as well as more discreet talks in Whitehall.

Last week Mr Gorbachev levied unusual attentions on President Francois Mitterrand in Moscow, even from some public commendations in return. This week Mr Eduard Shevardnadze, the Soviet Foreign Minister, holds talks with the British Government in London.

All this to-ing and fro-ing may on balance be good for the Soviet image, even if General Chervov's visit to Britain was neither persuasive nor endearing. But in terms of serious business, it is little more than diplomatic churning, since the real focus of Soviet attention is elsewhere, in Washington.

The Russians have obvious interest in existing such support as they can get from America's European allies, as well as in trying to repudiate charges that it is their foot-dragging which is holding up the negotiations. But they also know that Europe will not go

far in putting pressure on Washington until they put forward proposals which Washington has no right to refuse.

That point has not yet been reached, not by a long chalk. The Russians have made interesting proposals on strategic nuclear weapons, on President Reagan's Star Wars programme and the Anti-Ballistic Missile (ABM) treaty, on anti-satellite weapons, and on conventional forces. But even those western officials who are intrigued by these latest Soviet flexibilities remain radically suspicious of the Kremlin's real intentions.

And even if they discounted these suspicions, they would not expect an uninterrupted strip-tease, in which the Russians would feel compelled simply to move step by step towards the US position; the time has come for the US to respond by demonstrating some movement of its own.

In other words, the Soviet-American summit has now reached a most delicate stage. President Reagan decided some time ago that the rebuilding of America's military strength was sufficiently well launched to warrant sending a message of fences with the Soviet Union. What he does not yet appear to have decided is whether he is prepared for the kind of compromise stories implied by negotiating a major arms control agreement with the Soviet Union.

At the first Reagan-Gorbachev summit in Geneva last November, the President showed a remarkable triumph of evasion: he gave the convincing impression of a successful meeting, wonderfully stage-managed to the hilt, and yet the result was left Mikhail Gorbachev completely empty-handed.

Against all the odds, it looked as though Ronald Reagan could have his cake and eat it too. But the smiles and the hand-shakes, without giving anything substantive away. He must be sorely tempted to believe that he has the option of a last-minute compromise, at the second summit meeting with Gorbachev, ostensibly scheduled for some time this year. But Gorbachev wanted to deny him that



kind of cheap victory last year, he is likely to be more determined this year.

The specific source point, of course, is Star Wars (otherwise known as the Strategic Defence Initiative): is Reagan prepared to compromise any restrictions on this anti-missile defence programme, originally intended to make nuclear weapons "impotent and obsolete," in order to secure the more limited objective of reduction in nuclear weapons? We do not yet know the answer to that question.

But the more general problem is more serious: when push comes to shove, is he prepared to endorse the political implications of any major agreement with the Soviet Union?

No doubt he wants to go down in history as a peacemaker. But to sign a major agreement with the Russians implies an expectation that they would stick to it. There are many vocal members of his administration who argue passionately that the Russians cannot be trusted, because they have broken past agreements, and he himself has charged them with being prepared to lie, to cheat, to steal.

Because of the controversy over Soviet compliance with the previous Salt treaties, American negotiators have

pressed heavily on the need for tighter verification in any new treaty.

But President Reagan must know, or at least he must have been told by his experts, that no verification techniques can possibly guarantee 100 per cent compliance. If there is to be a major arms control agreement, it will have to be based on some degree of trust, on some calculation that the Russians have a common interest in making it sea-worthy, and that they would lose major political benefits by cheating, long before they could hope to gain any significant military advantage.

The less ideological governments of western Europe may be able to make this calculation. They oppose President Reagan's policy, and they are in favour of arms control, both for its own sake, for the sake of international stability, and in order to channel more economic resources into domestic development.

But for Ronald Reagan to make, by implication, a similar calculation may be a different matter.

The new Soviet leadership seems to have become much more sensitive to the US pre-occupation with verification. It has been prepared to admit on-site monitoring of the Soviet nuclear test reserves by a team of non-official American scientists, and is seeking official negotiations with Washington on the same subject; it has proposed a phased reduction of its strategic weapons, starting with a cut of 300 missiles on each side, precisely to engender a bit more trust.

There is little chance that, in a mid-term election year, Washington will sacrifice its summer holidays in order to resolve an issue on which key figures in the administration do not want a new strategic decision.

On the other hand, that decision will not be made any easier merely by the passage of

Lombard Why City salaries are too high

By Clive Wolman

SO WHAT CAN we do about the City whizz-kids, those appalling young men who have been showered with Porsches and six-figure salaries long before their thirtieth birthdays for doing nothing more productive than trading bits of paper?

Their critics now extend well beyond the ranks of the Labour Party and include leading industrialists whose salaries are typically small by comparison. Their defenders, the free marketeers, insist that their inflated salaries merely reflect international salary pressures and possibly a temporary imbalance between the supply and demand for their specialist skills which will gradually disappear as more recruits are attracted.

More persuasive explanation is that too much money is being paid out by City firms in salaries, because too much is going in. And that means that the industrialists in particular must be blamed for paying the City too much for the financial services it offers.

Most financial services, such as advising on new issues, takeovers or mergers, are difficult to evaluate. But in at least two areas it is possible to demonstrate with mathematical precision that the City has been over-charging.

One is the fees charged for underwriting and sub-underwriting rights issues of new equity by companies. A London Business School analysis in 1980 showed that underwriters were being paid twice as much for the risks they were undertaking—effectively for selling put options on the newly issued shares—as they would receive in a competitive and efficient market. Now at least there is some hope that the excess profits of merchant banks will be squeezed as the new issue market changes.

A more serious example of the systematic overpricing and over-provision of a financial service is fund management. High-flying fund managers, particularly those with expertise in overseas markets, command salaries of £50,000 to £100,000 a year. Similar rewards go to the leading stockbroking analysts, whose primary function is to supply the fund managers with company and industry recommendations and induce them to shift around

their portfolios, thereby generating commissions.

Those who pick up the bill at the end of the day, mainly industry and the beneficiaries of pension funds, appear to accept that all the frenetic activity and expertise of stockbrokers and fund managers must at the very least lead to higher returns for them than the naive private investor could achieve.

Not so. Nearly all professional fund managers should have retired to the south coast and handed over their portfolios to unemployed teenagers on a twentieth of their salaries. The teenagers would have made more money for their clients by doing nothing except investing their cash inflows in a random selection of stocks.

Over the last seven years, the average UK equity fund manager achieved a lower return than the UK stock market average, as measured by the FT-All Share index, by more money for their clients by doing nothing except investing their cash inflows in a random selection of stocks.

What is striking about the performance figures of pension funds (produced by the WM company) is that even the top 25 per cent of pension funds achieved lower returns than the stock market averages.

Stockbrokers fare only slightly better. Research by the London Business School suggests that only a few have a record of giving more correct than incorrect recommendations to investors either over the telephone or in writing.

The point is not that all fund managers and stockbroking analysts should be sacked, which would quickly create major inefficiencies in the pricing of shares, but rather that there are too many of them around producing mediocre work.

The blame for this over-supply must be placed on pension funds trustees and the finance directors of the sponsoring companies for failing to demand value for money. If company directors evaluate other financial services with a similar lack of competence, it is not surprising that some City operators are being paid inflated salaries while making little or no contribution to economic welfare.

Accounting standards

From Mr C. Brandon Gough

Sir—Your Leader of July 10 poses an important question about the current and future role of the auditor. At the heart of it is a doubt about the independence of auditors in the current climate. Most public companies are audited by one of 20 large firms. Size is a major factor in securing independence, since the larger the firm, the more likely it is to be able to resist the pressure of a client.

You note that we, and other firms, now earn most of our fees from services other than auditing. We are proud of our developments in information technology, manufacturing and strategic studies, all of which are of substantial benefit to British business. Much of our non-audit work, however, is in such areas as taxation and insolvency services, which are always a part of the service range of practising accountants.

The suggestion that auditing should be separated from other advisory services is long overdue. British business needs the best possible advice if it is to prosper in today's competitive, savings-oriented market. It needs assurance that their companies are being honestly and competently managed and are producing fair financial reports. Major accounting and consulting firms are well equipped to meet both needs.

I recognise that the potential for conflicts of interest exists, but it is in seeing that our credibility as independent-minded auditors is sustained. Auditing is, in the public interest, a service which should be provided by those who perform audits must make sure that the scope of our work is in line with public needs and expectations.

You also raise the question of compliance with accounting standards. Unjustified departures from standards seriously damage the credibility of all accountants. The right response is for the profession to deal with breaches through our disciplinary process.

As for standards themselves, you may indeed be right in suggesting that a body with stronger teeth than the Accounting Standards Committee is now needed to ensure compliance by the corporate sector.

C. Brandon Gough, (Senior Partner), Coopers & Lybrand, Plumtree Court, SO4.

Letters to the Editor

being done from the industrial side of the chain portrayed between the worlds of education and industry. In my experience participating in a TVEL scheme which involves the making of test groupings, this is far from the truth.

Though the initial stimulus and the funding for TVEL comes from the Manpower Services Commission—with some support from employers—development of the curriculum for each local TVEL scheme and its implementation has been very largely in the hands of the teachers. Despite some initial (understandable) reservations, teachers have responded to the opportunities to teach with more and better equipment and other resources and with smaller groups of students in new and more active ways of learning.

It is to be hoped that in extending TVEL nationally, the need for resources and staffing to be enhanced will not in fact be forgotten. There is relatively little scope for economies in scale in TVEL-style teaching. The raising of morale and the improvement of national recruitment to the teaching profession in shortage subjects depends not only on teachers' pay levels, but also on the commitment shown by government in providing the resources and conditions to do the job well.

Some motivating factors apply to education generally, but perhaps have particular force in relation to TVEL. Michael F. Fuller, Fatherford College, The University, Custerbury, Leic.

Efficient energy

From Dr L. Brookes

Sir—Like so many others before him, David Oliver (July 9) propagates the fallacy that using electricity more efficiently substitutes for new power stations; and attributes to all US electric utilities the policy followed by some of them, and even them, in some cases, reluctantly.

For energy in general there is no evidence that more efficient use reduces demand at the macroeconomic level. This applies with special force to electricity: more efficient appliances and insulation tip the economic scales towards electricity compared with other fuels.

The problems that utilities have with nuclear power in the USA are more institutional than technical and economic. It is a case of private utilities which have to raise capital on the open market being subject

Single European Act

From Mr B. Patterson, MEP

Sir—Teddy Taylor writes (July 8) that the Single European Act will produce "a cascade of new harmonising directives and regulations." Presumably he means the 300 or so proposals contained in Lord Cockfield's white paper of 1985 on "Completing the internal market."

If so, he should know that this programme was in no way a consequence of the act. On the contrary, Article 100 of the Treaty was specifically designed to facilitate the adoption of the proposals by the deadline of 1992.

Mr Taylor goes on to complain that "the act is now bureaucratic and harmonising directives" produced by the act will not solve any of the EEC's basic problems. But what is the other day, and he said: "It is not an excess of Community legislation; it is the flood (or cascade) of regulatory laws which already emerges from the 12 national Parliaments like the one in which Mr Taylor himself sits."

Those doing business are obliged to cope with 12 different sets of rules on health and safety, technical specifications and so on, and there is no getting away from the fact that there are 100 nuclear power stations in the USA. (Dr) L. G. Brookes, 16 Ipswich Road, Bournemouth, Hants.

Tax cuts nobody wants

From the Chairman, Regional Surveys

Sir—One explanation for executives preferring higher government spending to a significant reduction in income tax (July 7) is contained in the following equation.

At a salary of £12,500, which is currently the median rate for junior and middle rank executives in the private sector, a reduction from 59 per cent to 25 per cent in the standard rate is, for a married man, worth around £350.

A rise in line with inflation, say 3 per cent, is worth £375 but he or she is likely to receive, with bonuses, around 7.0 per cent or £875.

The £500 difference between these two increases after tax at 29 per cent comes to—surprise, surprise—£375.

Rather than waiting for a cut in tax which may be dependent on a drop in salary increases to 3 per cent a per cent, the executive and his or her employer have decided that the market solution is to share the company's higher profit via a 7.0 per cent rise and enjoy exactly the same position as that offered by a 4 per cent cut in rates on a significantly lower increase.

Peter M. Brown, 1 Mill St, Stone, Staffs.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Monday July 14 1986

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EURONOTES AND CREDITS

Turkey cashes in on its improved credit rating

TURKEY is profiting from its improved credit rating in international capital markets to launch a succession of new deals. It returned again last week with a \$240m credit led by Morgan Guaranty designed to finance the Gerede/Ankara section of the Europe-Asia motorway, writes Peter Montagnon in London.

This is the second motorway financing this year as it follows an earlier package of Ecu 115m and \$10m arranged by American Express Bank and Bankers Trust. Half of it will be guaranteed by the US Eximbank, while the remainder is a pure financial loan carrying interest at a margin of 1 1/4 per cent over Eurodollar rates or 1/2 per cent over US prime for seven years. Banks will be invited to subscribe in equal proportions to this and to the Eximbank-guaranteed tranche which is a 14-year deal carrying interest over Libor (the London inter-bank offered rate) at a margin of 1/2 per cent.

Also looming is a new World Bank co-financing to include a \$40m tranche about which preliminary talks were held in Tokyo last week. The volume of deals - Morgan said on Friday that even after its deal is completed a further \$240m in financing would be needed for the motorway project of which \$70m equivalent should be raised locally - is beginning to raise some eyebrows among bankers who worry that Turkey may be overstepping the mark.

Turkey's current account balance of payments which was in deficit by \$1bn last year has been helped by the decline in oil prices. But the country also has to manage carefully a repayment hump on its \$25bn foreign debt which has pushed up total debt service requirements to around \$3bn in each of 1986 and 1987.

Turkey still has to treat the markets with care, bankers say, although one positive point is that Japanese banks, which were very reluctant to lend to Turkey in 1985, have now shown fresh enthusiasm. Japanese banks have to put up a 5 per cent provision on new loans to countries which have had to reschedule their debts and this has proved a handicap for Turkey in the past.

However the requirement lasts for only five years after the rescheduling and in Turkey's case expires next year. The provision is calculated on an across-the-board basis so that if more than 5 per cent is provided for in one country another country's share can be less. Growing provisions against Latin American debts have therefore created leeway for fresh commitments to Turkey as Japanese banks again set out in quest of high-yielding assets.

Following the credit of \$300m already arranged for Algeria earlier this year under the leadership of Industrial Bank of Japan, the Japanese banking community is mounting a further operation in that country. Sumitomo Bank is arranging a \$200m 10-year domestic loan for Banque Extérieur d'Algérie which is divided into two tranches. One will carry a floating rate of interest at the long term prime rate, the other fixed at the prime rate plus a margin of 10 basis points. This portion will be co-ordinated by Long Term Credit Bank.

Though the use of the domestic Yen market allows Algeria to obscure the upward pressure on margins for its loans it is still expensive compared with Euroyen financing. The long term prime rate currently stands at 6 1/2 per cent while Euroyen deposit rates are below 5 per cent.

Elsewhere, American Airlines is adding a new \$200m loan facility to its \$300m deal organised last year by Bank of America to give a total \$500m back-up for the issue of Euro-commercial paper. Bank of America is also leading the new deal and will be one of the dealers when paper is issued. The terms include a six-year maturity, an 8 1/4 per cent annual facility fee and a margin on drawings of 17 basis points for the first four years rising to 22 points thereafter. There is also a utilisation fee of up to 12 1/2 points depending on how much is taken.

Expected soon is a credit for Bulgaria, while France's Credit Foncier is due to launch a \$300m facility this week. Credit Foncier is one of the best-liked French state-guaranteed names in the market and given the relatively small size of the deal it is expected to improve on the terms recently won by Electricité de France which included a 4 point facility fee for three years, rising to 5 for the next seven.

Results take Silicon Valley stocks to low

BY LOUISE KEHOE IN SAN FRANCISCO

SILICON Valley semiconductor stocks slid to record lows on Friday following disappointing quarterly results from two of the largest West Coast chip makers and another dip in the industry's leading indicator, the "book to bill ratio", clearly demonstrating that the industry's recovery has stalled.

Intel's announcement of a \$27.7m operating loss for its second quarter started a flood of semiconductor stock sales on Friday. Intel's shares closed \$1.75 lower at \$19.25, their lowest in more than eight years. The stocks of Advanced Micro Devices and National Semiconductor, both Silicon Valley neighbours, also hit new lows.

Advanced Micro Devices announced its results after the stock market closed on Friday. The company posted a net loss of \$27.9m or 49 cents per share on sales of \$154m for its first fiscal quarter ended June 18. Year-ago sales were \$150.8m with net income of \$740,000 or one cent per share, after more than \$15m in tax credits.

AMD's sales recovery, which began in the quarter ended December 1985, stalled in our first fiscal quarter as distributor resale weakened in June," said Mr W. J. Sanders III, president and chief executive officer.

The apparent early arrival of the summer slowdown and the absence of any significant signs of improvement in demand from the computer sector indicate a postponement of recovery for the semiconductor industry," he added.

Adding to the evidence of a new dip in semiconductor sales, the industry's book to bill ratio, a measure of orders versus sales, fell to 1.07 in June, down from 1.10 in May and below this year's peak of 1.18 in April.

Motorola produced the only good news for US chip makers, reporting a sales increase of 12 per cent in its semiconductor sector during the second quarter.

The company reported total net income of \$55m of 43 cents a share on sales of 1.5bn in the second quarter. That compares with net income of \$20m or 22 cents a share on sales of \$1.37bn a year earlier.

For the first six months of 1986, net earnings rose from \$67m or 56 cents a share to \$100m or 80 cents, while sales advanced from \$2.69bn to \$2.84bn.

Second-quarter sales in the semiconductor division were up 12 per cent on the year-earlier period, while new orders climbed by 63 per cent and the order backlog fell by 10 per cent.

EUROMARKET TURNOVER
 Turnover (\$bn)

Primary Market	Strights	Conv	FIN	Other
1986	2,579.6	76.1	2,912.5	1,748.5
Prev	2,572.4	841.0	701.5	2,229.3
Other	852.2	-	260.7	123.5
Prev	774.8	-	794.8	787.5

Secondary Market	US\$	1986	1985	1984
Prev	25,820.4	1,782.1	10,888.5	4,285.8
Other	7,215.1	124.5	2,167.8	2,519.2
Prev	8,129.8	114.9	1,861.0	2,282.8

	Credit	Equity	Total
US\$	12,415.6	21,194.8	33,610.4
Prev	17,827.3	24,917.3	42,744.6
Other	6,444.2	7,463.0	13,907.2
Prev	7,291.8	6,483.9	13,775.7

Week to July 10 1986 Source: AIBD

INTERNATIONAL BONDS

US interest rate cut gives no direction to Eurobond market

THE EUROBOND market was rather unimpressed with the Federal Reserve Board's cut in the key interest rate last Thursday to 6 per cent, the lowest level since October 1977, writes Clare Pearson in London.

"So when's the next discount rate cut?" asked dealers.

The timing of the cut was surprising, but a 1/2 point reduction had been factored into price levels for some time. The market might have been expected to follow the old adage and "sell on the news." But the relative firmness of the US Treasury bond market in early Friday dealing tempered profit-taking and Eurobond prices hardly moved.

Nonetheless, the announcement has taken some of the suspense out of the market and dealers say it now looks likely to lack direction. Though another interest rate cut is not ruled out it is beyond the near-term horizon.

They add that in these generally thin trading conditions the trading liquidity of issues has added importance. At these low rates investors have to keep half an eye on the possibility that yields could start to rise again and they want to be sure of a market should they need to sell.

A long-expected \$500m issue for Norway should therefore prompt an enthusiastic response when it eventually surfaces. Bankers are currently flummoxed as to how to price this jumbo deal, however, since

Norway has no outstanding international debt issues in its own name.

Lead-managers continue to display a talent for pricing deals out of all relation to investor demand, although the volume of new issues has slowed.

Among offerings that struck the market as particularly unrealistic last week was a five-year offering for French state agency Cofema, launched at a slim 35 basis points over the US Treasury curve but trading at about 52 off by Friday afternoon.

Also widely criticised was a DM 200m zero-coupon bond for Otto International Finance. Dealers pointed out that domestic demand for zero-coupon bonds is negligible at the moment while the borrower is almost unknown outside West Germany. Its yield also compares badly with outstanding D-Mark zero-coupon issues.

High-yielding non-dollar sectors of the Eurobond market continue to attract new issue managers' attention, although the extent of investor interest seems questionable.

Belief in strong Japanese demand for sterling securities was enhanced last week as a rumour circulated that some Japanese investors had taken up £20m of a 10-year World Bank issue in the secondary market. It appears more likely, however, that the price was artificially inflated by a couple of securities houses trading in a thin market.

Meanwhile, dealers say that some outstanding sterling issues which should in theory attract Japanese investors, such as that for Nippon Credit Bank, are still looking cheap.

Seasoned Australian dollar issues are attracting some speculative interest from those who feel the currency has hit a low. Last week some high quality, high coupon issues saw sharp price appreciations.

The withdrawal of withholding tax exemption on Australian dollar issues should push up prices of outstanding issues as their rarity value deepens.

European sectors seem already to be relaxing into a summer holiday mood and turnover is negligible. In the D-Mark sector bankers feel there is a chance of a cut in the discount rate at the last fortnightly meeting of the central bank committee prior to a summer break, although hopes are not strong. The D-Mark market was indifferent to the US discount rate cut.

Trading in Swiss franc bonds is also lethargic although good quality paper is prompting some demand. New public bonds for Japanese Development Bank and Nippon Telephone and Telephone seemed to go down well. Meanwhile, other Japanese borrowers have been able to launch equity warrants bonds with coupons that have touched new lows.

People Express to sell unit

BY WILLIAM HALL IN NEW YORK

PEOPLE Express, the financially troubled US airline rejected a \$9 per share offer from its arch rival, Texas Air, and agreed to sell its Frontier Airlines subsidiary to United Airlines for \$146m.

The decision to sell Frontier Airlines is a bitter blow for Mr Donald Burr, People Express' 45 year-old founder, who has outspurred his "cut price-no frills" airline to a position as the fifth biggest US carrier through a mixture of opening up new routes and an aggressive acquisition policy. This included last year's \$300m acquisition of Frontier Airlines, a loss-making regional airline based in Denver.

However, the decision to reject Texas Air's \$300m bid for all of People Express, indicates that Mr Burr intends to try and maintain People Express as an independent carrier.

All of these Securities have been sold. This announcement appears as a matter of record only.

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May, 1986

KB KREDIETBANK

Steady growth of activity and results

Profit for the financial year rose by 17.3% to BEF 2,686 million.

The balance sheet in BEF expanded by 11%, despite the appreciable decline of inflation.

Domestic credit, both corporate and private, rose by about 9% against only 1.1% in the previous financial year.

ECU activity continued to show spectacular growth. As a result of its prominent role as an ECU clearing institution, over 550 banks are now maintaining accounts with the Kredietbank. The ECU already accounts for roughly 25% of the overall balance sheet in foreign exchange.

The number of staff increased by 210, to reach a total of 9,212.

Investment amounted to BEF 2,123 million, an increase of 66% due in large measure to the modernization of the bank's office equipment.

The process of internationalization proceeded unabated. A 75% participation was taken in Bank Van der Hoop Offers N.V., which has a commercial office in Rotterdam and a securities trading office in Amsterdam. Further, a 5% minority stake was taken in the French Banque Monétaire et Financière, set up to operate on the French money and capital markets.

A net dividend of BEF 435 (+5%) will be paid out to the ordinary shares and of BEF 735.88 to the AFV shares. The number of shares entitled to dividend rose by 124,805.

(In millions of Belgian francs)	1986	1985	1980	1975
Stockholders' equity and subordinated loans	28,045	26,526	14,826	7,476
Working funds	821,371	765,706	391,834	185,929
Credit to the				
- private sector (all forms of credit)	306,016	311,053	203,211	91,242
- public sector	279,032	267,541	135,141	70,766
Net profit for the financial year	2,686	2,289	1,735	950
Balance sheet total	911,939	834,096	429,680	207,138
Net dividend (BEF)	435	414	355	245
Number of staff	9,212	9,002	8,433	8,035
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INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Resurfacing worries fail to shake market

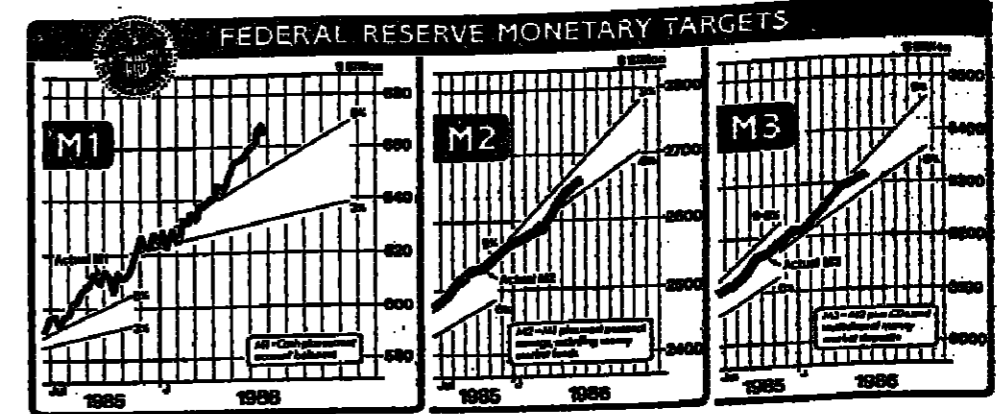
LAST WEEK will probably be remembered as one of the more eventful weeks in the US financial markets in 1986 as many of the concerns which had been lurking in the shadows moved back into the limelight.

Table with 5 columns: Instrument, Last Friday, 1 week ago, 4 weeks ago, 12-month High/Low. Includes US Money Market Rates and US Bond Prices and Yields.

Following day by trimming their prime rates by a half-point to 8 per cent, their lowest level since January 1978.

cent by the end of the week and the yield curve had steepened by around 20 basis points.

of letting the economy slide towards a possible recession outweigh the risks on the exchange rate and inflation fronts.



Salomon Brothers' Dr Henry Kaufman says: "There is probably a better than even chance of further overt monetary accommodation in the US."

occur would be late August but early October is more likely."

reduced central bank intervention, but this week should give the first real indication of whether foreign investors are willing to continue backing the dollar.

UK GILTS

Securities hit further by oil price slide

WHILE British equities were following their US cousins down and then up again, UK government securities were unable to match Wall Street.

mechanism of the European Monetary System. The Bank of England's sterling exchange rate index fell by 2.1 per cent over the week to end at 74.6.

Following this, the expected drop in the inflation rate to 2.5 per cent in June, announced on Friday, was not enough to stir the markets.

month interbank interest rates from 10 1/2 per cent to 10 1/4 per cent.

George Graham

FT/AIBD INTERNATIONAL BOND SERVICE

Large table listing international bonds with columns for Issued, Price, Yield, and various bond details across multiple countries.

Autophon Ltd. advertisement for 12,000 Bearer Shares of Sfr. 500 par value each, listing various international banks and agents.

This announcement appears as a matter of record only. July, 1986

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Jonathan Carr on the implications of a wider consortium to sell federal issues

Foreign banks drawn into German bonds net

PRIVILEGE OR burden? Membership of West Germany's federal bond consortium has always involved an element of both. The latest federal bond issue underlines that fact, above all for the foreign banks able to take part in the group for the first time.

At first glance the consortium may look to be something of a novelty. A group of banks (hitherto only German) takes on issues of the Federal Government, railways and opst office. It agrees to place them long term (for at least a year) and receives a price discount for doing so. The public sector borrowers are happy because the smooth arrangement makes their planning easier; the banks gain fees for what is often not a great deal of work and, moreover, they win a certain prestige as consortium members.

Small wonder that foreign banks incorporated in Germany have long pressed to be allowed to join. Now, thanks to the Bundesbank's drive to open up

the capital market further, they have got their way. From this month 19 foreign banks (six Japanese, four US, three French, two Swiss, and one each from Liechtenstein, the Netherlands, Canada and Sweden) have joined the German institutions to make a grand total membership of 91.

The catch is that the consortium is committed to hold together in foul weather as well as fair. In other words members must take on their quotas even when market conditions are poor, and they can be penalised if the bonds they underwrite are re-sold during the first year of issue. From this point of view, the foreign banks could clearly have had an easier "debut".

Demand for federal bonds is slack and the outlook uncertain. No early cut in the German discount rate is likely despite the new drop in the US rate; a poor first quarter performance has raised some doubts about the strength and

duration of the economic upturn; and the country faces a general election in six months. All these factors have made investors more wary than they were, above all foreigners who have hitherto given the main boost to the domestic bond market.

The conditions of the Government's new 10-year issue, a 5.75 per cent coupon and a 98.75 per cent issue price, go some way to take account of this. Even so the volume of DM 4bn (of which the Bundesbank retains DM 800m for market management) looks pretty indigestible in view of sluggish demand and the fact that the previous post issue has not been fully placed.

Ironically the volume was raised from the previous normal level of DM 3bn to help take account of complaints from German banks that they would be getting too little business in the revised consortium. The German banks insist that the 20 per cent quota given the foreign banks is too high, and

privately stress they have big doubts whether all the foreign institutions concerned have enough durable placing power to justify their membership.

Against that background it came as no surprise when some German bank dealers quickly accused a foreign bank of offering the new federal bonds at a big discount, and foreigners accused some Germans of doing the same. If that sounds ungenerously behaviour for a club, it is worth recalling that the consortium was not a wholly happy group even before the foreigners appeared on the scene. Some sectors, for example the co-operative banks, already felt their quota was much too low—and now they find themselves still more poorly placed.

A lot of this squabbling might be dismissed as no more than "teething troubles" of a new system introduced at an awkward market moment. Foreign banks can fairly claim seats in the consortium since

foreigners have been doing most of the German domestic bond buying, and in principle most German banks agree with that argument (although not with a quota as high as 20 per cent).

But there is a more worrying point, for German and foreign banks alike. Last year foreigners bought a net DM 23.8bn worth of German domestic public sector bonds, after DM 7.2bn in 1984. In the first quarter of this year foreign net buying totalled DM 18bn after DM 6bn in the same period of 1985.

In other words, the German bond market (and the share market too) has become very greatly dependent on foreign interest. The bottom could easily drop out of it if that interest, whether for economic or political reasons, were to wane. Participants in the federal bond consortium might then feel less like privileged club members as mice caught in a trap.

Mixed opening to bank results season in US

BY PAUL TAYLOR IN NEW YORK

BANK of New England, 28th largest US banking group, reported a 36 per cent increase in second quarter net earnings while First Wachovia, 29th largest, posted a 5 per cent decline and Bank of New York, 18th largest, announced a 21.5 per cent advance.

The three banking groups are among the first of the major US banks to report their results, with the bulk of the results expected this week.

Boston-based Bank of New England, which has been expanding rapidly mainly through regional acquisitions, lifted net earnings in the second quarter to \$40.7m or 65 cents a share compared to \$29.8m or 71 cents.

The latest results, which were in line with expectations, lifted half-year net earnings to \$80.1m or \$1.49 a share from \$58.5m or \$1.40 a share in the year ago period.

In contrast North Carolina-based First Wachovia, which has also been expanding rapidly mainly through last year's merger with First Atlanta, said second quarter net earnings dipped to \$45m or 83 cents a share from \$46.8m or 87 cents a share in the year ago period.

First-half net earnings also dropped, to \$91.9m or \$1.70 a

\$450m Kaiser Aluminum property sale

BY OUR NEW YORK STAFF

KAISER ALUMINUM, which earlier this year defeated an unwelcome takeover bid by a dissident shareholder group, has signed a letter of intent to sell a major portion of its real estate holdings for \$450m to a group of private investors, led by Bedford Properties of Lafayette, California.

Kaiser says that the deal involves cash and the assumption of certain debt and liabilities by the buyer. Kaiser is not selling its properties in Hawaii and Oakland, California, which have a current book value of about \$100m.

However, the purchasing group has certain rights to buy some of the remaining property at a premium over book value.

Mr Cornell C. Maier, Kaiser's chief executive, said the transaction would achieve multiple benefits of producing a profit, generating immediate substantial cash for reductions of debt, providing ongoing income from continued ownership of some real estate assets and shading in the proceeds of others.

Kaiser has faced a long-running challenge from a group of dissident shareholders led by Mr Joseph Prates, an Oklahoma businessman.

N. American Philips slips into red after provision

BY WILLIAM HALL IN NEW YORK

NORTH AMERICAN Philips, the US affiliate of the Dutch electronics giant, lost \$10.6m in its second quarter after taking a \$21.3m special provision to cover the discontinuance of two product lines.

The company says that "adverse technical factors relating to the subscriber equipment product line of the company's cable TV business prompted the decision to provide for an orderly withdrawal from the subscriber equipment market."

In addition, North American Philips decided to discontinue colour data display manufacturing at its facility in Seneca Falls, New York, as soon as present manufacturing commitments are completed. A study showed that it could best serve the colour data display market by means other than maintaining a dedicated manufacturing facility.

The second-quarter loss compares with profits of \$13.7m or 47 cents a share a year earlier, and in the first six months of the current year the group has earned \$3.5m or 12 cents a share, compared with \$41.4m or 1.43 in the same period last year.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount \$m	Maturity	Average life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Manitowoc	20	1991	5	2 1/2	100	Deutsche Bank	2.875
Yamaha Int. (Eur.)	20	2001	15	3	100	Goldman Sachs	3.000
Yamaha Int. (Eur.)	150	1991	5	2 1/2	100	Yamaichi Int. (Eur.)	2.875
National Guardian	40	2001	15	(7-7 1/2)	100	Shearson (London Brs.)	-
Yamaha Int. (Eur.)	25	1991	5	(2 1/2)	100	Yamaichi Int. (Eur.)	2.875
Manitowoc	40	1991	5	2 1/2	100	Manitowoc Int.	2.875
Manitowoc	30	2001	15	5 1/2	100	Manitowoc Int.	5.750
Commercial Guaranty	35	2001	15	(6-6 1/4)	100	Kidder Peabody	-
Deutsche Bank	50	1991	5	(6)	100.1	Switzerland Trust Int.	-
Fornio della Stato	100	1991	5	7 1/2	101 1/2	Deutsche Bank, LTCS Int.	7.474
Finland	200	1993	7	7 1/2	100 1/2	Morgan Stanley	7.406
Manitowoc H.Kong (Eur.)	50	1991	5	8 1/2	101	New Japan Secs. Eur.	-
HTI (Eur.)	100	1989	3	10	101 1/2	Morgan Guaranty	9.453
Manitowoc	25	2001	15	5 1/2	100	CSFB	8.500
Yamaha Int. (Eur.)	50	1991	5	(2 1/4)	100	Deutsche Bank	-
Yamaha Int. (Eur.)	100	1991	5	7 1/2	101 1/2	Morgan Guaranty	7.070
Creditanstalt	100	1993	7	8	101	Chase Manhattan	7.508
Nippon Credit Bank	100	1993	7	7	101	Deutsche Bank	7.989
American SRI (Eur.)	200	1996	10	15 1/2	100	Manitowoc Int.	-
Pacific Dunlop	75	1996	10	(6 1/4-7)	100	CSFB	-
Volkswagen Int. Fin. (Eur.)	150	2001	15	3	100	Deutsche Bank	3.000
CANADIAN DOLLARS							
Yamaha Int. (Eur.)	200	1996	10	-	-	Yamaichi Secs.	-
NEW ZEALAND DOLLARS							
Bank of New Zealand	250	1993	7	0	38.0	CSBC Ltd.	14.398
Deutsche Bank	40	1990	3 1/2	16 1/2	100 1/2	Deutsche Bank	15.837
D-MARK							
Deutsche Bank	45	1991	5	1 1/4	100	Deutsche Bank	1.250
Mitsubishi Chem. Int. (Eur.)	300	1993	7	1 1/4	100	Deutsche Bank	1.250
Uita Int. Finance	200	2001	15	0	38.58	Deutsche Bank	6.500
SWISS FRANCES							
CS P&I Inc. Montreal	85	1991	-	5 1/2	100	Ben Guzman, KB	5.375
Yamaichi Int. (Eur.)	35	1991	-	7 1/2	100	UBS	8.875
Yamaichi Int. (Eur.)	80	1991	-	7 1/2	100	Credit Suisse	8.750
Yamaichi Int. (Eur.)	50	1991	-	7 1/2	100	UBS	1.000
Yamaichi Int. (Eur.)	30	1991	-	7 1/2	100	SBC	8.875
Yamaichi Int. (Eur.)	100	1991	-	7 1/2	100	Swiss Volksbank	0.750
Yamaichi Int. (Eur.)	150	1991	-	7 1/2	100	Swiss Volksbank	8.875
Yamaichi Int. (Eur.)	150	1998	-	5 1/2	100	UBS	5.250
Yamaichi Int. (Eur.)	30	1992	-	1 1/2	100	UBS	1.125
Yamaichi Int. (Eur.)	100	1992	-	1	100	UBS	1.000
Yamaichi Int. (Eur.)	100	1998	-	5 1/2	100	SBC	5.625
Yamaichi Int. (Eur.)	200	1994	-	5	100	Credit Suisse	5.000
Yamaichi Int. (Eur.)	100	1998	-	5 1/2	100	Wirtschafts- und Privatbank	5.750
Yamaichi Int. (Eur.)	25	1992	-	7	100	Bank Julius Baer	1.000
Yamaichi Int. (Eur.)	200	1991	-	(1)	100	Swiss Volksbank	-
Yamaichi Int. (Eur.)	60	1992	-	5 1/2	100	UBS	5.125
Yamaichi Int. (Eur.)	50	1993	-	5 1/2	100	UBS	5.125
STERLING							
Yamaichi Int. (Eur.)	100	1993	7	8 1/2	100 1/2	Morgan Grenfell	9.600
Yamaichi Int. (Eur.)	50	1993	7	8 1/2	101 1/2	Warburg Secs.	9.423
Yamaichi Int. (Eur.)	100	1996	10	7 1/2	100	WestLB	7.375
FRENCH FRANCES							
Yamaichi Int. (Eur.)	500	2001	15	8	108 1/2	CCF	7.842
Yamaichi Int. (Eur.)	600	1993	7	8 1/2	116	Banque Paribas	5.327
LUXEMBOURG FRANCES							
Yamaichi Int. (Eur.)	300	1991	5	7 1/2	100	BGL	7.625
BELGIUM FRANCES							
Yamaichi Int. (Eur.)	4bn	1994	8	7 1/2	100	Generale Bank	7.250
IRELAND							
Yamaichi Int. (Eur.)	100bn	1991	5	10 1/2	106 1/2	B. Comm. Italiana	10.433
GUILDERS							
Yamaichi Int. (Eur.)	250	1996	8	6 1/2	100	Auro Bank	8.500
Yamaichi Int. (Eur.)	200	1991	5	6	99 1/2	Auro Bank	6.110
Yamaichi Int. (Eur.)	25	1991	10	6 1/2	99 1/2	ABN	6.570
Yamaichi Int. (Eur.)	100	1996	10	7	100	Auro Bank	7.800
YEN							
Yamaichi Int. (Eur.)	20bn	1993	7	6	101 1/2	Yamaichi Int. (Eur.)	5.734
Yamaichi Int. (Eur.)	20bn	1994	7 1/2	6	101 1/2	Nomura Int.	5.762
Yamaichi Int. (Eur.)	20bn	1996	10	6 1/2	99.7	Daiva Secs.	6.542

These securities having been sold,
this announcement appears as a matter of record only.

¥20,000,000,000

CITICORP

6 1/4% Yen Bonds Due July 15, 1993

Daiwa Europe Limited • Citicorp Investment Bank Limited
Yasuda Trust Europe Limited

Yamaichi International (Europe) Limited

Bank of Tokyo International Limited • Credit Lyonnais
Credit Suisse First Boston Limited • Fuji International Finance Limited
Genossenschaftliche Zentralbank AG • Kyowa Bank Nederland N.V.

Merrill Lynch Capital Markets • Mitsubishi Finance International Limited
Mitsui Finance International Limited • Morgan Stanley International
The Nikko Securities Co., (Europe) Ltd. • Sanwa International Limited
Sumitomo Trust International Limited • Svenska Handelsbanken Group
Swiss Bank Corporation International Limited • Takugin International Bank (Europe) S.A.
Tokai International Limited

June, 1986

CITICORP INVESTMENT BANK

This announcement appears as a matter of record only.

H

Hooker Corporation Limited

U.S. \$50,000,000

Floating Rate Preferred Shares Due 1996

issued by its subsidiary

L.J. International Investments N.V.

Arranged by

Goldman Sachs Limited

Subscribers

Commonwealth Bank of Australia National Australia Bank Limited
Westpac Banking Corporation
Mellon Australia Limited Societe Generale Australia Limited
State Bank of New South Wales Creditanstalt-Bankverein

Agent for the Subscribers
Commonwealth Bank of Australia

June 1986

UK COMPANY NEWS

Full float puts £100m value on GT Management

THE FULL prospectus is published this morning for the flotation of GT Management on the main market. About 26 per cent of the capital is on offer, 12.5m shares, at 210p each...

Over the same period pre-tax profits increased from £1.38m to £7m. The net profit as a percentage of gross revenue rose from 18 per cent to 20 per cent over the five years.

COMPANY NEWS IN BRIEF

ATLANTIC COMPUTERS has acquired the West German IBM leasing and distribution concern, EM Computer Systems and EM Informatic Systems...

AGM that the company had started trading well in the current year and the level of activities should result in a material increase in profits.

Current year starts well for Tesco

Mr Ian MacLaurin, executive chairman of Tesco, told the annual meeting that he looked to the future with the greatest confidence.

The current trading year had started well and the company was operating to plan. That was a positive indication of further over the full year.

Kwik Save deal

Kwik Save is paying £3.6m in cash for Tates, a retailing subsidiary of Northern Foods.

Five Oaks

Five Oaks Investments shareholders took up 89.98 per cent of the 13.2m shares issued through a rights issue in May.

J. Bibby sale

Barrie Richfield, the electronic components distributor, has been acquired from IIR Electronics Group.

Leading Leisure plans full listing

RECORD figures were reported by Leading Leisure, the Southampton-based leisure and construction group which also announced its intention to seek a full stock market listing early next year.

News Intl. buys more Reuters 'B' shares

News International, the UK arm of Rupert Murdoch's News Corporation group, has bought a further 2.96m Reuters 'B' shares.

SHARE STAKES

Changes in company share stakes announced last week included: Ultramar—noticed that IEF Securities, a subsidiary of Industrial Equity, has increased its interest to 25.85m ordinary shares (10.57 per cent).

PENDING DIVIDENDS

Dates when some of the more important company dividend payments may be expected in the next few weeks are given in the following table.

Table with columns: Company Name, Dividend Date, Dividend Amount, and Dividend Type. Includes companies like Abbey Life, ASDA-MFI, Biff, Barclays, etc.

BOARD MEETINGS

Table with columns: Company Name, Meeting Date, and Meeting Location. Includes companies like Ashley Industrial Trust, British, Consolidated Term Investments, etc.

FT SHARE INFORMATION

The following securities have been added to the Share Information Services:

Advertisement for The Kingdom of Belgium Floating Rate Notes due 1994. Issued by NatWest Investment Bank Limited.

Advertisement for Forretningsbanken A/S Floating Rate Subordinated Notes due 1997. Issued by Bank of America International Limited.

Advertisement for Republic of Iceland U.S. \$125,000,000 Floating Rates Notes due 2000. Issued by Bank of America International Limited.

Advertisement for CLAYFORM PROPERTIES PLC. Introduction to the Official List. Includes share details and company information.

Advertisement for Granville & Co. Limited. Member of the National Association of Security Dealers and Investment Managers. Includes a list of securities.

Advertisement for HILLE ERGONOM plc. Placing by HOARE GOVETT LIMITED of 2,830,000 Ordinary Shares of 10p each at 92p.

Advertisement for Wells Fargo & Company U.S. \$200,000,000 Floating Rate Subordinated Notes due 2000. Issued by Morgan Guaranty Trust Company of New York.

Advertisement for LASMO Eurofinance B.V. London & Scottish Marine Oil PLC. Issued by Citibank.

Advertisement for FLETCHER DENNYS SYSTEMS PLC. Placing by Capel-Cure Myers of 1,896,642 Ordinary Shares of 5p each at 70p per share.

FINANCIAL TIMES STOCK INDICES table showing Government Secs, Fixed Interest, Ordinary, Gold Mining, FT-Act All Share, and FT-100 indices for various dates.

Advertisement for M&S FINANCE (CAYMAN) LIMITED. Floating Rate Subordinated Notes due 1988.

Advertisement for LADBROKE INDEX. Based on FT Index. Tel: 01-427 4411.

Advertisement for REPUBLIC NEW YORK CORPORATION. Floating Rate Subordinated Notes due July 2010. Issued by Citibank.

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FT UNIT TRUST INFORMATION SERVICE

EQUITIES

Table of equity prices with columns for stock name, price, and change.

FIXED INTEREST STOCKS

Table of fixed interest stocks with columns for stock name, price, and yield.

"RIGHTS" OFFERS

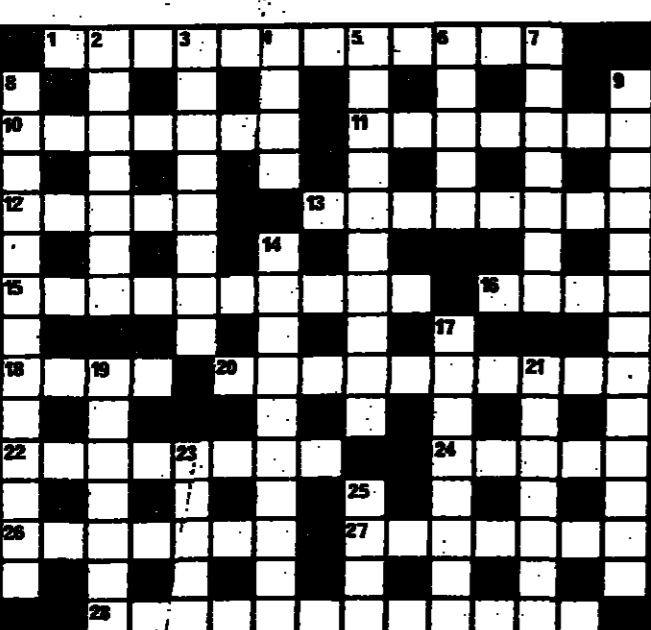
Table of rights and offers with columns for company name, price, and details.

Remember that units are for the whole lot of shares... A unit is based on the price of the shares...

Can Europe catch up?

A bound reprint of a series of articles "Can Europe catch up?" and "Towards a Free Trade Community"...

FT CROSSWORD PUZZLE No. 6072



ACROSS 1 The words which thus could mislead (3, 2, 7) 2 "Rotten generators" - short time employers (7) 3 Turn set of for a trial (4, 3) 4 Louvre, light of exciting small boy in plant (5) 5 Taking into account sum with chain (variable) (8) 6 Plants from the East seen in trial burrows (10) 7 The remains of sleep (4) 8 A swirl (4) 9 See what the fighters do in court (3) 10 One of the top of the House (5) 11 Perhaps hospital or doctor getting one into shape? (5) 12 First class drink recalled finely (7) 13 It's time, initially, editor edited and made an attempt! (5, 3) 14 Last part of 1 almost like top of state police (5, 7) DOWN 1 Regular drink at United Nations is rum (7) 2 One's not so if lid's closed (4, 4) 3 How actors can be thrown? (4) 4 No cash for person. It doesn't exist (3, 2, 5) 5 Let's capital out and lessons tension (5) 6 Wrong flower? Agony! (7) 7 Last part of 1 in calm river making feature of velvet? (6, 7) 8 Last part of 1 in between covers - where students get facts (2, 3, 6) 9 You must be within the law to drive them (5, 4) 10 Assuming in an appropriate way (5) 11 Guard R.T. fencing for current (7) 12 Colour-one piece of 26 turning up in less detail (7) 13 Bud's protector (5) 14 Stake is raised making quite a mountain (4) The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUSTS

Main table of authorized unit trusts with columns for trust name, price, and details.

AUTHORISED UNIT TRUSTS & INSURANCES

Main table containing financial data for various unit trusts and insurance companies, including names, addresses, and financial metrics.

INSURANCES

Table listing insurance companies and their financial details, including AA Friendly Society, Abbey Life Assurance Co Ltd, and others.

Handwritten signature or stamp at the bottom center of the page.

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and financial services, including Standard Life Assurance Co Ltd, Prudential, and others, with columns for company name, address, and contact information.

Table listing Overseas and Money Funds, including Brown Shipley Fund Mgmt (CI) Ltd, Baring International, and others, with columns for fund name, manager, and performance data.

Table listing Money Market Trust Funds, including The Charles Depledge Trust, The Money Market Trust, and others, with columns for fund name, manager, and performance data.

Table listing Money Market Bank Accounts, including Adams & Co, Bank of America, and others, with columns for bank name, account type, and interest rates.

Notes section containing legal disclaimers and terms of service for the financial products listed.

Traditional Options section listing 3-month call rates for various financial instruments.

BRITISH FUNDS

Table of British Funds with columns for Name, Price, and Yield. Includes sections for 'Shorts' (Lives up to Five Years), 'Five to Fifteen Years', and 'Over Fifteen Years'.

Index-Linked

Table of Index-Linked funds with columns for Name, Price, and Yield.

INT. BANK AND OSEAS

Table of International Bank and Overseas funds with columns for Name, Price, and Yield.

CORPORATION BONDS

Table of Corporation Bonds with columns for Name, Price, and Yield.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth and African Loans with columns for Name, Price, and Yield.

FOREIGN BONDS & RAIS

Table of Foreign Bonds and Rais with columns for Name, Price, and Yield.

AMERICANS

Table of American stocks with columns for Name, Price, and Yield.

AMERICANS - Cont.

Continuation of American stocks table.

CANADIANS

Table of Canadian stocks with columns for Name, Price, and Yield.

BANKS, HP & LEASING

Table of Banks, HP & Leasing stocks with columns for Name, Price, and Yield.

BEERS, WINES & SPIRITS

Table of Beers, Wines & Spirits stocks with columns for Name, Price, and Yield.

BUILDING, TIMBER, ROADS

Table of Building, Timber, Roads stocks with columns for Name, Price, and Yield.

DRAPERY & STORES

Table of Drapery & Stores stocks with columns for Name, Price, and Yield.

BUILDING, TIMBER, ROADS - Cont.

Continuation of Building, Timber, Roads stocks table.

DRAPERY & STORES - Cont.

Continuation of Drapery & Stores stocks table.

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS - Cont.

Continuation of Building, Timber, Roads stocks table.

DRAPERY & STORES - Cont.

Continuation of Drapery & Stores stocks table.

DRAPERY & STORES - Cont.

Continuation of Drapery & Stores stocks table.

ELECTRICALS

Table of Electrical stocks with columns for Name, Price, and Yield.

ENGINEERING - Continued

Continuation of Engineering stocks table.

INDUSTRIALS - Continued

Continuation of Industrials stocks table.

ENGINEERING - Continued

Continuation of Engineering stocks table.

INDUSTRIALS - Continued

Continuation of Industrials stocks table.

INDUSTRIALS - Continued

Continuation of Industrials stocks table.

INDUSTRIALS - Continued

Continuation of Industrials stocks table.

INDUSTRIALS - Continued

Continuation of Industrials stocks table.

INDUSTRIALS - Continued

Continuation of Industrials stocks table.

INDUSTRIALS - Continued

Continuation of Industrials stocks table.

INDUSTRIALS - Continued

Continuation of Industrials stocks table.

INDUSTRIALS—Continued

Table of industrial stocks including Johnson & Johnson, American Cyanamid, and various other companies with their respective prices and market data.

LEISURE—Continued

Table of leisure and consumer goods stocks including Johnson & Johnson, American Cyanamid, and various other companies.

PROPERTY—Continued

Table of property and real estate related stocks including Johnson & Johnson, American Cyanamid, and various other companies.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including Johnson & Johnson, American Cyanamid, and various other companies.

FINANCE, LAND—Cont.

Table of finance and land related stocks including Johnson & Johnson, American Cyanamid, and various other companies.

MINES—Continued

Table of mining stocks including Johnson & Johnson, American Cyanamid, and various other companies.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including Johnson & Johnson, American Cyanamid, and various other companies.

COMMERCIAL VEHICLES

Table of commercial vehicle stocks including Johnson & Johnson, American Cyanamid, and various other companies.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including Johnson & Johnson, American Cyanamid, and various other companies.

SHIPPING

Table of shipping stocks including Johnson & Johnson, American Cyanamid, and various other companies.

OVERSEAS TRADERS

Table of overseas trader stocks including Johnson & Johnson, American Cyanamid, and various other companies.

PLANTATIONS

Table of plantation stocks including Johnson & Johnson, American Cyanamid, and various other companies.

INSURANCES

Table of insurance stocks including Johnson & Johnson, American Cyanamid, and various other companies.

PAPER, PRINTING, ADVERTISING

Table of paper, printing, and advertising stocks including Johnson & Johnson, American Cyanamid, and various other companies.

SHOES AND LEATHER

Table of shoe and leather stocks including Johnson & Johnson, American Cyanamid, and various other companies.

SOUTH AFRICANS

Table of South African stocks including Johnson & Johnson, American Cyanamid, and various other companies.

TEXTILES

Table of textile stocks including Johnson & Johnson, American Cyanamid, and various other companies.

TOBACCO

Table of tobacco stocks including Johnson & Johnson, American Cyanamid, and various other companies.

PROPERTY

Table of property stocks including Johnson & Johnson, American Cyanamid, and various other companies.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including Johnson & Johnson, American Cyanamid, and various other companies.

LEISURE

Table of leisure stocks including Johnson & Johnson, American Cyanamid, and various other companies.

FINANCE, LAND, etc

Table of finance, land, and other stocks including Johnson & Johnson, American Cyanamid, and various other companies.

MINES

Table of mining stocks including Johnson & Johnson, American Cyanamid, and various other companies.

REGIONAL & IRISH STOCKS

Table of regional and Irish stocks including Johnson & Johnson, American Cyanamid, and various other companies.

CTG COMPUTER TASK GROUP INC.

has acquired
Shubrooks

Shubrooks International Limited

Computer Task Group (CTG) is an international computer professional services company with revenues of over US \$140 million.

CTG's 2400 systems engineering professionals provide software development services to leading USA and international companies.

CTG is pleased to serve the UK business community through Shubrooks International Limited.

CTG COMPUTER TASK GROUP INC.

USA Headquarters
Computer Task Group Inc.
800 Delaware Avenue
Buffalo, New York 14209
Telephone: (716) 882-8000

UK Headquarters
Shubrooks International Limited
Almex Priory, Almex Road
Lyne, Nr. Chertsey, Surrey KT16 0BH
Telephone: Chertsey (09328) 66812/67531

New Issue This announcement appears as a matter of record only June 1986

BRUNSGOLD AUSTRALIA (CAYMAN ISLANDS) LIMITED

(Incorporated with limited liability in the Cayman Islands; not affiliated with Brunswick N.L. or Normandy Resources NL)

U.S. \$4,200,000 4 1/2% Secured Series A Bonds Due 1994
U.S. \$4,200,000 4 1/2% Secured Series B Bonds Due 1994

in each case exchangeable for a payment related to the gold price and unconditionally and irrevocably guaranteed (on a joint and several basis) as to payment of interest only by

BRUNSWICK N.L.

(Incorporated in the State of New South Wales as a no liability company) and

NORMANDY RESOURCES NL

(Incorporated in the State of Queensland as a no liability company)

BANK GUTZWILLER, KURZ, BUNGENER (OVERSEAS) LIMITED

BANQUE NATIONALE DE PARIS (SUISSE) S.A.

EFFECTENBANK VAN MEER & CO. N.V.

E. GUTZWILLER & CIE, BANQUIERS

RICHARDSON GREENSHIELDS OF CANADA (U.K.) LIMITED

INTERNATIONAL APPOINTMENTS

Heir apparent at MBB

BY RUPERT CORNWELL IN BONN

MESSERSCHMIDT - Boelkow - Blohm, the West German aerospace group, has nominated Mr Roland Mecklinger as its new deputy chairman and head of its defence equipment division—amid strong indications that he is being groomed as the eventual successor of Mr Hanns Arnt Vogels as MBB's chief executive.

telecommunications link-up with the French concern, Cie Generale d'Electricite (CGE), which would see it in a group-up effectively under French, rather than American control.

has also long been pressed by Mr Max Streib, not only chairman of MBB's supervisory board, but also Finance Minister of his home state of Bavaria, which has a 24 per cent stake in the aerospace concern.

The 48-year-old Mr Mecklinger, whose appointment was announced on Friday, comes from the Standard Elektrik Lorenz (SEL) electronics company, where he has been in charge of the key telecommunications division.

The move reflects Mr Vogels' keenness to install a younger top management team at the somewhat stagnant MBB, before he himself steps down in a year or two's time. Mr Vogels celebrated his 60th birthday earlier this year, while the main Mr Mecklinger replaces at the head of MBB's defence division, Mr Guenther Kublo, is already 62 and has long been signalling his desire to quit.

But Mr Franz Josef Strauss, the powerful Bavarian Prime Minister who has a seat on the supervisory board, almost certainly has had a hand in the matter. Mr Strauss is a keen advocate of a takeover of MBB by BMW, the Munich-based car manufacturer, in order to create a giant all-Bavarian high technology grouping. His plans, however, have been bogged down by the fragmented shareholding structure of MBB.

Further changes at Gencor

BY BERNARD SIMON IN JOHANNESBURG

THE RESTRUCTURING of Gencor, the South African mining and industrial group, has been taken a step further with moves to reshape the company's board of directors.

Mr Bernard Smith, aged 50, who is in charge of purchasing, exploration, engineering and other operating services, and Mr Nass Steenkamp, an industrial relations expert who also had responsibility for corporate communications and administration.

insurance group, Gencor's controlling shareholder.

Top Diamond Shamrock move

BY WILLIAM HALL IN NEW YORK

MR J. L. JACKSON, has resigned as the president and chief operating officer of Diamond Shamrock, the Dallas-based energy group which has been hit by the slump in the US oil patch and is in the midst of streamlining its operations.

that it was combining its two exploration companies into a single company and sacked the two executives running the operations. It has not yet appointed a new president to run the exploration operations.

writedowns and resulted in a net loss of \$604.7m for the full year. It also cut its cash dividend and substituted part of the quarterly cash payments with distribution of units in a limited partnership formed from the group's oil and gas properties in the Gulf of Mexico.

UK APPOINTMENTS

Trafalgar House construction reorganised

Following the acquisition of John Brown, the TRAFALGAR HOUSE GROUP has restructured its construction and engineering operations.

Mr Allan Gormley, who continues as managing director of John Brown, has become a main board director of Trafalgar House and a director of Trafalgar House Construction (Holdings) (THCH).

Mr Ian Williams has been appointed as director of LANSING BAGNALL, Bostoke. The appointment follows the promotion to deputy chairman of Mr John Alenby and Mr Bernard Williams who have been joint managing directors since 1973.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are not always available whether dividends concerned are interim or final. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS: July 15, 12.00, R.F.O. Gross Catterall Lane, Godalming. July 16, 12.00, R.F.O. Gross Catterall Lane, Godalming.

SVENSKA HANDELSBANKEN (Incorporated in the Kingdom of Sweden with limited liability) U.S. \$100,000,000 8 per cent Subordinated Notes 1991 Issue Price 101 per cent.

Morgan Stanley Group Inc. Floating Rate Notes Due 1993 Interest on the above securities for the interest period of July 10, 1986 through January 11, 1987 is scheduled to be paid on January 12, 1987 at the interest rate of 6 7/8% per annum.

Banque Nationale de Paris U.S. \$75,000,000 Floating Rate Notes 1987/1990/1994 In accordance with the provisions of the Notes, notice is hereby given that for the six months 14th July, 1986 to 14th January, 1987 the Notes will bear an interest rate of 7% per annum and the coupon amount per U.S.\$100,000 will be U.S.\$3,577.77.

Morgan Grenfell Investments N.V. (Incorporated in The Netherlands with limited liability) Floating Rate Notes Due 1994 Payment of principal and interest unconditionally guaranteed by Morgan Grenfell Holdings Limited (Incorporated in England with limited liability)

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Lotus Development founder leaves

By Louise Kehoe in San Francisco

MR MITCHELL D. KAPOR, founder of Lotus Development, the leading US personal computer software publisher, resigned his position as chairman of the company on Friday.

One of the most successful US personal computer industry entrepreneurs, Mr Kapor, 35, told Lotus employees on Thursday that he felt it was time to leave the running of the company to others.

At Lotus, Mr Kapor established the personal computer as a business tool with the introduction of his most successful programme ever—Lotus 1-2-3—a spreadsheet, word processing and graphics integrated programme. Four years later, the programme remains a best seller.

Mr Kapor's resignation came as a surprise to industry analysts, but he has been gradually removing himself from day-to-day operations at Lotus over the past two years.

Mr Kapor said he was not an external event prompting this change, "in fact everything in the company is in good shape... I just decided that it was time to get on with the rest of my life."

"This is a good time for me to go on to explore other endeavours," said Mr Kapor. He stressed, however, that he was pleased to do some things that conflict with Lotus. He will remain a director of the company and act as a consultant for the next year.

The stock market was however disappointed to see Mr Kapor's departure. He has provided important direction in the company's new product developments, analysts say. Lotus' stock declined \$2 to \$34 on Friday.

Despite the company's leadership of the personal computer software industry, Lotus continues to suffer from a "one product company" image. None of the programmes that it has developed have lived up to the success of the original.

Dr Malcolm Standish, previously technical director of BRITISH ALCAN foil division, has been appointed to the new post of business development director. He will retain his technical responsibilities for foil-based developments across the division, but will in addition concentrate on investigating new business opportunities.

Mr Peter Haworth has been appointed chief executive of SAKERS PARICS, a subsidiary of Sakers International. He will remain group financial director of Sakers International.

COMPANY MEETINGS: July 16, 12.00, R.F.O. Gross Catterall Lane, Godalming. July 17, 12.00, R.F.O. Gross Catterall Lane, Godalming.

COMPANY MEETINGS: July 17, 12.00, R.F.O. Gross Catterall Lane, Godalming. July 18, 12.00, R.F.O. Gross Catterall Lane, Godalming.

COMPANY MEETINGS: July 18, 12.00, R.F.O. Gross Catterall Lane, Godalming. July 19, 12.00, R.F.O. Gross Catterall Lane, Godalming.

WORLD STOCK MARKETS

AUSTRIA

Table with columns: High, Low, July 11, Price, Change. Lists various Austrian stocks like Creditanstalt, Erste Bank, etc.

BELGIUM/LUXEMBOURG

Table with columns: High, Low, July 11, Price, Change. Lists Belgian and Luxembourg stocks like Belfrage, Belfrage, etc.

DENMARK

Table with columns: High, Low, July 11, Price, Change. Lists Danish stocks like Danfoss, Danfoss, etc.

FRANCE

Table with columns: High, Low, July 11, Price, Change. Lists French stocks like Air France, Air France, etc.

GERMANY

Table with columns: High, Low, July 11, Price, Change. Lists German stocks like Volkswagen, Volkswagen, etc.

ITALY

Table with columns: High, Low, July 11, Price, Change. Lists Italian stocks like Fiat, Fiat, etc.

NETHERLANDS

Table with columns: High, Low, July 11, Price, Change. Lists Dutch stocks like ABN-AMRO, ABN-AMRO, etc.

NEW YORK INDICES

Table with columns: July 10, July 9, July 8, July 7, July 6, July 5, July 4, July 3, July 2, July 1, 1986, High, Low, Since Comp.

STANDARD AND POOR'S

Table with columns: July 10, July 9, July 8, July 7, July 6, July 5, July 4, July 3, July 2, July 1, 1986, High, Low, Since Comp.

FINANCIALS

Table with columns: July 10, July 9, July 8, July 7, July 6, July 5, July 4, July 3, July 2, July 1, 1986, High, Low, Since Comp.

NEW YORK ACTIVE STOCKS

Table with columns: Friday, Stocks Closing on, Change, Stocks Closing on, Change.

CANADA

Table with columns: Toronto, July 11, July 10, July 9, July 8, July 7, July 6, July 5, July 4, July 3, July 2, July 1, 1986, High, Low, Since Comp.

NEW YORK ACTIVE STOCKS

Table with columns: Friday, Stocks Closing on, Change, Stocks Closing on, Change.

1986 July 11 Price

Table with columns: High, Low, July 11, Price, Change. Lists various international stocks.

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CANADA

TORONTO

Closing prices July 11

Table with columns: Sales, Stock, High, Low, Close, Change. Lists various Canadian stocks like Alcan, Alcan, etc.

HONG KONG

Table with columns: High, Low, July 11, Price, Change. Lists various Hong Kong stocks.

SOUTH AFRICA

Table with columns: High, Low, July 11, Price, Change. Lists various South African stocks.

SPAIN

Table with columns: High, Low, July 11, Price, Change. Lists various Spanish stocks.

SWEDEN

Table with columns: High, Low, July 11, Price, Change. Lists various Swedish stocks.

SWITZERLAND

Table with columns: High, Low, July 11, Price, Change. Lists various Swiss stocks.

WORLD

Table with columns: M.S. Capital Int'l, July 11, Price, Change. Lists various world indices.

NOTES

NOTES: Prices on this page are quoted on the individual exchange and are not traded prices. Exchange rates are as of 11:00 a.m. local time, unless otherwise stated. All prices are in local currency.

OVER-THE-COUNTER

Nasdaq national market, closing prices July 11

Table with columns: Stock, Sales, High, Low, Last, Change. Lists various over-the-counter stocks.

Continued from Page 27

Table with columns: Stock, Sales, High, Low, Last, Change. Lists various over-the-counter stocks.

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MONTREAL

Closing prices July 11

Table with columns: Sales, Stock, High, Low, Close, Change. Lists various Montreal stocks.

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Closing prices, July 11

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Main table containing stock prices for various companies, organized in columns with headers for stock name, price, and change.

Continued on Page 27

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Fed cuts but dollar holds on

BY COLIN MILLHAM

A cut of half a percentage point to 8 per cent in the US Federal Reserve's discount rate was not a surprise, although the timing—just after the close of normal trading in New York on Thursday—was earlier than expected.

A little earlier the same day, Mr Larry Speakes, commenting on behalf of the White House, said no pressure was being put on the central bank to cut its rate.

Also on Thursday, Mr Satoshi Sumita, governor of the Bank of Japan, told reporters in Tokyo he had no plans to cut the Japanese discount rate from 2.5 per cent.

The US discount rate cut shows the authorities' concern about a stalling of the economy. Growth in the first quarter was quite healthy, at around 3 per cent, even if there were special factors behind the figure.

West Germany was considered much less likely to make any sudden move on its discount rate. The D-Mark improved its position in the European Monetary System, and established itself above its floor against the French franc.

Dealers were also reluctant to go heavy short of dollars, for fear that after the Bank of Japan was still liable to cut its discount rate at any time.

Overall the German Bundesbank is probably happier about the position of the D-Mark within the EMS, and about the domestic monetary situation, than for some time, but would probably prefer to see a concerted round of interest rate cuts in Europe, involving the Bank of France, rather than to act alone.

Last week Mr Hans Tietmeyer, Secretary of State at the West German Finance Ministry, said a further reduction in the value of the dollar would be inappropriate.

£ IN NEW YORK

July 11 Close Prev. close

Table with columns for currency, rate, and change. Includes Sterling, Canadian dollar, Australian dollar, etc.

CURRENCY MOVEMENTS

Table showing percentage changes in currency values for various countries.

OTHER CURRENCIES

Table listing exchange rates for currencies like Arg. peso, Brazil, Canada, etc.

CURRENCY RATES

Table showing bank rates for various currencies and interest rates.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Table showing forward rates for the dollar against other currencies.

FORWARD RATES AGAINST STERLING

Table showing forward rates for the dollar against the British pound.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing exchange rates between EMS member currencies.

MONEY MARKETS

London interest rates were little changed last week, which may be taken as a fairly encouraging indication after a fall in the North Sea oil price to a 12-year low, coupled with a decline in the value of sterling, and another set of poor UK money supply figures.

LIFFE LONG GILT FUTURES OPTIONS

Table with columns for strike, call, and put prices for Liffe Long Gilt futures options.

LIFFE EURO-DOLLAR OPTIONS

Table with columns for strike, call, and put prices for Liffe Euro-Dollar options.

LIFFE 2 1/2% OPTIONS

Table with columns for strike, call, and put prices for Liffe 2 1/2% options.

PHILADELPHIA 6 1/2% OPTIONS

Table with columns for strike, call, and put prices for Philadelphia 6 1/2% options.

LIFFE 3-MONTH EURO-DOLLAR

Table with columns for strike, call, and put prices for Liffe 3-month Euro-Dollar options.

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WestLB Eurobonds - DM Bonds - Schuldscheine for dealing prices call. WestLB Westdeutsche Landesbank. Marketmakers in Deutschmark Bonds.

Reinsurance. The Financial Times proposes to publish a survey on the above subject on Monday 8th September 1986. For details of advertising rates, please contact: Nigel Pullman, Financial Times, Brackley House, 10 Cannon Street, London EC4A 3DF. Tel: 01-245 8900, Extn. 4063.

Hanson Trust plc £250,000,000 Transferable Loan Facility. Arranged By Chemical Bank International Group. Lead Managed By Banque Paribas (London), Chemical Bank International Group, Credit Lyonnais, London Branch, Credit Suisse, Midland Bank plc/Samuel Montagu & Co Limited, The Sumitomo Bank, Limited, Toronto Dominion Bank, Union Bank of Switzerland. Managed By Algemeine Bank Nederland N.V., London Office, Amsterdam-Rotterdam Bank N.V., The Bank of Nova Scotia, Commerzbank Aktiengesellschaft, London Branch, Credit Agricole, London Branch, Deutsche Bank Aktiengesellschaft, London Branch, Dresdner Bank AG, London Branch, The Fuji Bank, Limited, The Hongkong and Shanghai Banking Corporation, The Sarwa Bank, Limited, Swiss Bank Corporation, Westdeutsche Landesbank Girozentrale. Co-Managed By Australia and New Zealand Banking Group Limited, Banque Bruxelles Lambert SA. Agent Chemical Bank. June 1986.